KPMG

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidated Financial Statements and
Consolidating Schedules

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

CATHOLIC HEALTH SERVICES OF LONG ISLAND

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
Catholic Health Services of Long Island:

We have audited the accompanying consolidated financial statements of Catholic Health Services of Long Island, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Catholic Health Services of Long Island as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.

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Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information included in schedules 1 through 4 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations, of the individual companies. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

New York, New York
April 8, 2014

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidated Balance Sheets

December 31, 2013 and 2012

(In thousands)

Assets		2013	2012
Current assets:			
Cash and cash equivalents	$	169,091	127,154
Investments		330,819	308,344
Assets limited or restricted as to use		14,026	13,010
Patient accounts receivable, less allowance for uncollectible accounts of $39,841 in 2013 and $37,142 in 2012		247,553	233,044
Contributions receivable, net		2,021	2,125
Other receivables		29,414	26,945
Inventories		24,983	23,572
Prepaid expenses and other		17,389	17,195
Total current assets		835,296	751,389
Assets limited or restricted as to use:			
Board-designated and other		83,915	120,624
Donor-restricted funds		33,436	27,935
Funded depreciation		231,477	194,502
Trustee held and other agreements		76,558	132,658
Bond indenture agreements		14,591	14,610
Regulated assets		52,022	41,373
Total assets limited or restricted as to use		491,999	531,702
Less assets limited or restricted as to use and required for current liabilities		14,026	13,010
Total assets limited as to use, net		477,973	518,692
Contributions receivable, net of current portion		3,021	3,222
Long-term investments		601	551
Other assets, net		19,890	21,945
Insurance claims receivable		140,903	135,526
Deferred financing costs, net		6,951	7,684
Property and equipment, net		845,522	841,804
Total assets	$	2,330,157	2,280,813

(Continued)

Liabilities and Net Assets		2013	2012
Current liabilities:			
Current portion of long-term debt	$	27,687	30,412
Accounts payable and accrued expenses		160,332	141,898
Accrued salaries, related withholdings, and benefits		129,799	125,791
Current portion of other self-insured liabilities		31,385	30,046
Current portion of estimated third-party payor and other liabilities, net		61,523	67,553
Other liabilities		10,247	9,237
Total current liabilities		420,973	404,937
Long-term debt, net of current portion		489,290	517,011
Estimated third-party payor and other liabilities, net of current portion		44,210	51,678
Other self-insured liabilities, net of current portion		104,079	104,841
Estimated malpractice liabilities		194,963	188,393
Other long-term liabilities		51,387	49,311
Total liabilities		1,304,902	1,316,171
Net assets:			
Unrestricted		986,502	930,833
Temporarily restricted		34,701	29,754
Permanently restricted		4,052	4,055
Total net assets		1,025,255	964,642
Commitments and contingencies			
Total liabilities and net assets	$	2,330,157	2,280,813

See accompanying notes to consolidated financial statements.

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidated Statements of Operations

Years ended December 31, 2013 and 2012

(In thousands)

		2013	2012
Unrestricted revenues, gains, and other support:			
Net patient services revenue before bad debts	$	1,955,643	1,907,683
Provision for bad debts, net		(37,366)	(30,630)
Net patient services revenue		1,918,277	1,877,053
Investment income, net		37,668	43,653
Contributions, net		4,168	6,195
Other revenue		134,552	126,983
Net assets released from restrictions used for operations		943	1,836
Total revenues, gains, and other support		2,095,608	2,055,720
Expenses:			
Salaries		1,046,279	1,005,237
Employee benefits		325,545	321,501
Supplies and other expenses		548,063	525,348
Insurance		39,079	44,969
Depreciation, amortization, and impairment		97,633	85,170
Interest		20,074	20,781
Total expenses		2,076,673	2,003,006
Operating income before nonoperating gains (losses)		18,935	52,714
Nonoperating gains (losses):			
Change in unrealized gains on trading investments, net		26,287	3,894
Other nonoperating losses, net		(649)	(3,342)
Excess of revenues, gains, and other support over expenses		44,573	53,266
Other changes in unrestricted net assets:			
Postretirement benefit plan changes other than net periodic benefit cost		6,475	(1,546)
Net assets released from restrictions used for purchases of property and equipment		3,716	12,038
Net assets assumed		—	597
Contributions for purchases of property and equipment		1,020	80
Grant income for purchases of property and equipment		885	3,659
Other changes		(1,000)	(1,222)
Increase in unrestricted net assets	$	55,669	66,872

See accompanying notes to consolidated financial statements.

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2013 and 2012

(In thousands)

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, December 31, 2011	$	863,961	38,109	4,058	906,128
Excess of revenues, gains, and other support over expenses		53,266	—	—	53,266
Investment income, net		—	2,404	3	2,407
Restricted contributions, net		—	3,106	3	3,109
Net assets released from restrictions used for operations and reclassifications		—	(1,827)	(9)	(1,836)
Postretirement benefit plan changes other than net periodic benefit cost		(1,546)	—	—	(1,546)
Net assets released from restrictions for purchases of property and equipment		12,038	(12,038)	—	—
Net assets assumed		597	—	—	597
Contributions for purchases of property and equipment		80	—	—	80
Grant income for purchases of property and equipment		3,659	—	—	3,659
Other changes		(1,222)	—	—	(1,222)
Increase (decrease) in net assets		66,872	(8,355)	(3)	58,514
Net assets, December 31, 2012		930,833	29,754	4,055	964,642
Excess of revenues, gains, and other support over expenses		44,573	—	—	44,573
Investment income, net		—	3,195	—	3,195
Restricted contributions, net		—	6,399	9	6,408
Net assets released from restrictions used for operations and reclassifications		—	(931)	(12)	(943)
Postretirement benefit plan changes other than net periodic benefit cost		6,475	—	—	6,475
Net assets released from restrictions for purchases of property and equipment		3,716	(3,716)	—	—
Contributions for purchases of property and equipment		1,020	—	—	1,020
Grant income for purchases of property and equipment		885	—	—	885
Other changes		(1,000)	—	—	(1,000)
Increase (decrease) in net assets		55,669	4,947	(3)	60,613
Net assets, December 31, 2013	$	986,502	34,701	4,052	1,025,255

See accompanying notes to consolidated financial statements.

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidated Statements of Cash Flows

Years ended December 31, 2013 and 2012

(In thousands)

		2013	2012
Cash flows from operating activities:			
Increase in net assets	$	60,613	58,514
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation		93,175	84,016
Other changes in net assets		1,000	1,222
Amortization of deferred financing costs		733	891
Amortization of intangible assets		1,153	1,154
Impairment losses		3,305	—
Provision for bad debts, net		37,366	30,630
Net realized and unrealized gains on trading investments		(52,661)	(35,206)
Loss on debt extinguishment		—	303
Investment income on restricted assets, net		(758)	(1,351)
Postretirement benefit plan changes other than net periodic benefit cost		(6,475)	1,546
Contributions for purchases of property and equipment		(1,020)	(80)
Grant income for purchases of property and equipment		(885)	(3,659)
Restricted contributions, net		(6,408)	(1,392)
Changes in asset and liability accounts:			
Patient accounts receivable, net		(51,875)	(43,866)
Insurance claims receivable		(5,924)	(1,693)
Other receivables		(2,922)	(2,156)
Inventories		(1,411)	(3,808)
Prepaid expenses and other		(194)	(2,662)
Contributions receivable, net		807	593
Other assets, net		(336)	(220)
Accounts payable and accrued expenses		12,341	6,772
Accrued salaries, related withholdings, and benefits		4,008	10,953
Estimated third-party payor settlements and other liabilities		(13,498)	(3,041)
Other liabilities		9,561	5,759
Other self-insured liabilities		577	(4,976)
Estimated malpractice liabilities		6,570	5,446
Net cash provided by operating activities		86,842	103,689
Cash flows from investing activities:			
Purchases of property and equipment		(98,960)	(112,288)
Increase (decrease) in accounts payable due to capital purchases		6,093	(594)
Proceeds from sale of investments and assets limited or restricted as to use		723,625	717,602
Purchases of investments and assets limited or restricted as to use		(653,786)	(695,260)
Net cash used in investing activities		(23,028)	(90,540)

(Continued)

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidated Statements of Cash Flows

Years ended December 31, 2013 and 2012

(In thousands)

		2013	2012
Cash flows from financing activities:			
Principal payments on long-term debt	$	(30,446)	(20,135)
Extinguishment of long-term debt		—	(6,338)
Restricted contributions, net		6,408	1,392
Contributions receivable, net		(502)	1,518
Contributions for purchases of property and equipment		1,020	80
Grant income for purchases of property, plant, and equipment		885	3,659
Investment income on restricted assets, net		758	1,351
Net cash used in financing activities		(21,877)	(18,473)
Net increase (decrease) in cash and cash equivalents		41,937	(5,324)
Cash and cash equivalents at beginning of year		127,154	132,478
Cash and cash equivalents at end of year	$	169,091	127,154
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	$	19,756	15,006

See accompanying notes to consolidated financial statements.

(1) Organization and Business

Catholic Health System of Long Island, Inc. (d/b/a Catholic Health Services of Long Island) (CHS) is a New York not-for-profit corporation organized to serve as the coordinating body of an integrated network of providers. CHS, as a ministry of the Catholic Church, continues Christ's healing mission, promotes excellence in care, and commits itself to those in need. CHS affirms the sanctity of life, advocates for the poor and underserved, and serves the common good. CHS conducts its healthcare practice, business, education, and innovation with justice, integrity, and respect for the dignity of each person. CHS is sponsored by the Roman Catholic Diocese of Rockville Centre (Diocese).

CHS Hospitals

- Good Samaritan Hospital Medical Center (Good Samaritan)
- Mercy Medical Center (Mercy)
- St. Catherine of Siena Medical Center (St. Catherine)
- St. Charles Hospital (St. Charles)
- St. Francis Hospital (St. Francis)
- St. Joseph Hospital (St. Joseph)

Nursing Homes

- Good Samaritan Nursing Home
- Our Lady of Consolation Geriatric Care Center (Consolation)
- St. Catherine of Siena Nursing Home (the Nursing Home)

Insurance

- Good Samaritan Self Insurance Against Malpractice
- RVC Insurance Company, Inc. (the Captive)

Continuing Care Entities

- Catholic Home Care
- CHS Home Support Services (CHS Home Support)
- Good Shepherd Hospice
- Maryhaven Center of Hope (Maryhaven)
- Maryhaven School Corporation
- Maryhaven Transportation Services
- Riverhead Hostel Holding Corporation
- Wisdom Gardens Housing Development Fund, Inc.

Foundations

- The Center of Hope Foundation
- Good Samaritan Hospital Foundation
- Good Shepherd Hospice Foundation
- Our Lady of Consolation Foundation
- St. Charles Hospital Foundation
- St. Francis Hospital Foundation

Professional Corporations

- Advanced Rehabilitation Medicine, PLLC
- Cardiac EKG Interpretations, P.C.
- Long Island Emergency Medical Care, P.C.
- Long Island Regional Arthritis & Osteoporosis Care, P.C.
- Mercy Internal Medicine P.C.
- Radiology Consultants of Long Island, PLLC
- Samaritan Emergency Medical Services, P.C.
- Samaritan Medical Services, P.C.
- Samaritan Pediatric Services, P.C.
- Southwest Suffolk Medical, P.C.
- St. Francis Cardiac Prevention Services, P.C. (d/b/a St. Francis Surgical Associates)
- St. Francis Cardiovascular Physicians, P.C.

Other

- CHS Physician Hospital Organization, LLC
- CHS Services, Inc.
- Samaritan Management Services, Inc.
- Siena Village, Inc.
- Siena Medical Realty, LLC
- Siena Retirement Realty, LLC
- South Shore Practice Management Services
- St. Francis Research and Educational Corporation

CHS is the sole member and established cooperator of Good Samaritan, Mercy, St. Catherine, St. Charles, St. Francis, and St. Joseph (collectively, the CHS Hospitals). As the sole member of the CHS Hospitals, Catholic Home Care, CHS Home Support, Good Shepherd Hospice, Maryhaven, and Consolation, CHS has the right to appoint the governing body of these and other related entities.

The accompanying consolidated financial statements include the accounts of all of the CHS Hospitals and the CHS Organizations. All significant intercompany accounts and transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results will differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less at the date of purchase, excluding amounts limited or restricted as to use by board designation, under trust or other arrangements, indenture agreements, for funded depreciation, regulated assets, or that have donor-imposed restrictions that limits their use to certain long-term purposes.

Investments and Assets Limited or Restricted as to Use

Investments in equity securities with readily determinable fair values and all investments in debt securities are classified as trading securities, and are measured at fair value in the accompanying consolidated balance sheets.

Assets limited or restricted as to use include assets set aside by CHS for future long-term purposes, such as capital improvements, funded depreciation, board-designated funds, assets held by trustees under indenture and other agreements, donor-restricted funds, and regulated assets. Amounts required to meet current liabilities of CHS have been classified as current assets in the accompanying consolidated balance sheets.

Net investment income (including realized and unrealized gains on trading investments, interest, and dividends) is included in excess of revenues, gains, and other support over expenses unless the income or loss is restricted by donor or law.

Net Patient Accounts Receivable and Net Patient Services Revenues

Net patient accounts receivable has been adjusted to the estimated amounts expected to be collected. These estimated amounts are subject to further adjustments upon review by third-party payors. Such receivables do not bear interest.

The allowance for uncollectible accounts is based upon management’s assessment of historical and expected net collections considering business and economic conditions, trends in healthcare coverage, and other collection indicators. Management periodically assesses the adequacy of this allowance based upon historical collection and write-off experience by payor category. The results of these reviews are used to modify, as necessary, the provision for bad debts and to establish appropriate allowances for uncollectible patient accounts receivable. After satisfaction of amounts due from insurance, CHS follows established guidelines for placing certain patient balances with collection agencies, subject to certain restrictions on collection efforts as determined by each facility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. CHS does not have any off-balance-sheet credit exposure related to its patient accounts receivable.

CHS records net patient services revenue in the period in which services are performed. CHS has agreements with third-party payors that provide for payments at amounts different from its established rates. The basis for payment under these agreements includes prospectively determined rates, cost reimbursement, and negotiated discounts from established rates and per diem payments.

Net patient services revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments due to future audits, reviews, and investigations, and excluding estimated amounts considered uncollectible. The differences between the estimated and actual adjustments are recorded as a part of net patient services revenue in future periods, as the amounts become known, or as years are no longer subject to such audits, reviews, and investigations.

Charity Care

As an integral part of its mission, CHS provides care to all patients regardless of their ability to pay. CHS records as charity care the care provided to patients who meet certain criteria, under its charity care policy, without charge or at amounts less than CHS' established rates. Because CHS does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Inventories

Inventories are stated at the lower of cost (determined on a first-in, first-out method) or market.

Related-Party Transactions

Certain CHS entities provide services and advances to other CHS entities. Most of these receivables and advances are noninterest bearing and due on demand. Certain advances accrue interest and have stated repayment periods. The receivables and payables and related interest expense and income are eliminated in consolidation, as are any reserves created after evaluation of the related party's ability to repay.

Other Assets, Net

Other assets in the accompanying consolidated balance sheets consist primarily of goodwill of $13,226 in 2013 and $15,976 in 2012, respectively, and other intangible assets of $8,073 in both 2013 and 2012, respectively, which represent acquisition costs of physician practices. Other intangible assets are amortized on a straight-line basis not to exceed seven years. Goodwill is measured for impairment in accordance with the Accounting Standards Codification (the Codification) Topic 350, *Intangibles – Goodwill and Other*. During 2013, an impairment loss on goodwill of $1,238 was recorded and the goodwill and related amortization for this practice acquisition was written off. Accumulated amortization of goodwill and other intangible assets was $5,924 and $6,283, respectively, as of December 31, 2013 and 2012.

Contributions

Unconditional promises to give cash and other assets to CHS are reported at fair value at the date the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are substantially met. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Deferred Financing Costs

Financing costs incurred in connection with the issuance of long-term debt have been capitalized and included in deferred financing costs, net. These costs are being amortized using the effective-interest method over the term of the related obligations. Accumulated amortization amounted to $6,047 and $5,314 at December 31, 2013 and 2012, respectively.

Property and Equipment

Property and equipment are recorded at cost when purchased and at estimated fair value when donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets (ranging from 3 to 40 years). Equipment under capital lease obligations is amortized utilizing the straight-line basis over the lesser of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying consolidated statements of operations.

Leases are classified as capital leases or operating leases in accordance with the terms of the underlying lease agreements. Equipment under capital leases is recorded as assets and the related obligations as liabilities at the present value of future minimum lease payments. Lease payments under operating leases are charged directly to rental expense, and are included in supplies and other expenses in the accompanying consolidated statements of operations.

Estimated Malpractice Costs

The provision for estimated malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. It is the policy of the CHS Hospitals to record estimated malpractice liabilities on a discounted basis. The Captive records estimated malpractice on an undiscounted basis. Due to the current economic and interest rate environment, the liabilities shown as of December 31, 2013 and 2012 are effectively undiscounted.

Estimated Self-Insured Workers' Compensation and Health Insurance Costs

The CHS Hospitals are self-insured for certain claims, including workers' compensation, through the Protective Self-Insurance Program (PSIP) of the Diocese for outstanding claims through years ended December 31, 2011. During 2012, the CHS Hospitals entered into an arrangement with a commercial carrier in which a $500 per-claim stop-loss coverage is provided. Additionally, under the CHS health insurance program, all CHS entities are self-insured for employee medical and related costs. The provisions for estimated self-insured claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported (note 15).

It is the policy of CHS to record estimated workers' compensation self-insured liabilities on a discounted basis. Due to the current economic and interest rate environment, the liabilities shown as of December 31, 2013 and 2012 are effectively undiscounted.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Generally, the donors of these assets restrict the income earned on related investments for a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

Accounting for Joint Ventures

St. Charles and John T. Mather Memorial Hospital (Mather) entered into an integrated joint venture agreement known as the Mather – St. Charles Alliance (the Alliance). The integrated joint venture commenced in 1996 and enabled both hospitals to engage in joint healthcare programs. The joint venture arrangement required St. Charles and Mather to ensure that the market share percentages, as defined, of each hospital remain constant relative to the 1995 base year. The arrangement provided for a financial integration formula (the Fairness Formula), to ensure that future combined net patient services revenues, less corresponding variable expenses, as defined, were shared in the same proportion as that which existed between the two hospitals in the 1995 base year. Computations have been performed for the years 1996 through 2003; however, management of St. Charles and Mather continue to negotiate these computations. Computations have not been performed for the years 2004 through 2013. No amounts related to the computations provided by the Fairness Formula are reflected in the accompanying consolidated financial statements. Management of CHS believes that such calculations and negotiation will not have an adverse impact on CHS' consolidated financial position, results of operations, or cash flows.

Performance Indicator

The consolidated statements of operations include excess of revenues, gains, and other support over expenses as the performance indicator. Other changes in unrestricted net assets, which are excluded from excess of revenues, gains, and other support over expenses, consistent with industry practice include grant income for purchases of property and equipment; postretirement benefit plan changes other than net periodic benefit cost; net assets assumed; contributions for purchases of property and equipment; net assets released from restriction used for purchases of property and equipment; and other changes.

Operating and Nonoperating Activities

CHS' primary mission is to meet the healthcare needs in its market area through a broad range of general and specialized healthcare services, including inpatient acute care, outpatient services, long-term care, home healthcare, hospice, and other healthcare services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities, which are peripheral to CHS' primary mission, are considered to be nonoperating. Nonoperating activities include changes in unrealized gains on trading investments, net, and other nonoperating losses, net.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, and definite-lived and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Goodwill and indefinite-lived intangible assets are evaluated for impairment annually or more frequently if circumstances require. Based on this review management recorded impairment to property and equipment of $2,067 and an impairment of $1,238 relating to goodwill for the year ended December 31, 2013. There were no impairment charges recognized for the year ended December 31, 2012.

Income Taxes

CHS and most of its subsidiaries are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. CHS accounts for uncertain tax positions in accordance with the Codification Topic 740, *Income Taxes*. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the consolidated financial statements, using a threshold of more likely than not of being sustained.

Other Revenue

Other revenue includes income from Maryhaven, and other program and contracted services revenues, rental activities, grant revenues (including Meaningful Use-Health Information Technology for Economic and Clinical Health Act (HITECH) Stimulus Grants), and other miscellaneous operating activities.

Maryhaven revenue relates to program services that are principally cost-based or fee-for-service and is recognized as services are performed. Revenues from such services are recorded at rates established by governmental payors (principally, New York State Education Department, New York Department of Social Services, and Medicaid). For the years ended December 31, 2013 and 2012, Maryhaven program service revenues are $79,589 and $78,565, respectively.

On July 13, 2010, CMS issued rules to implement the Medicare and Medicaid electronic health record (EHR) incentive program established under the Health Information Technology for Economic and Clinical Health Act. Certain hospitals and eligible healthcare professions (EPs) that demonstrate “meaningful use” of certified EHR technology can qualify for Medicare payments beginning in 2011. Medicaid requires that hospitals and EPs “adopt, implement, or upgrade” certified EHR, which includes purchasing the technology, in order to receive incentive payments in 2012. The CHS Hospitals’, using the Cliff recognition method for Meaningful Use incentive payments, recorded $13,211 and $2,920 of revenues related to Medicare and Medicaid’s incentive payments for meeting the criteria for meaningful use for the years ended December 31, 2013 and 2012, respectively. The amount of the EHR incentive payment was based on the Hospital’s best estimate and cost report data, which is subject to audit by the Center for

(Dollars in thousands)

Medicare and Medicaid Services (CMS) or its intermediaries and amounts recognized are subject to change. In order to qualify for the incentive payments, CHS Hospitals not only needed to demonstrate that they successfully implemented the new technology, but that they use the technology in a "meaningful," or clinically significant fashion. As a separate endorsement of our accomplishment in bringing our five hospitals live on the EHR in 2012 and 2013, the five hospitals achieved Stage 6 (out of seven possible stages) on the HIMSS Analytics EMR Maturity Model, placing them in the top 12% of EMR hospitals in the nation. HIMSS Analytics, an independent, not-for-profit subsidiary of Healthcare Information and Management Systems Society (HIMSS), ranks hospitals from Stage 0 to Stage 7, the highest category. Only 2% of all U.S. hospitals have achieved Stage 7, with none so far in New York.

Reclassifications

Certain reclassifications have been made to the 2012 consolidated financial statements in order to conform to the 2013 presentation.

(3) Community Benefit and Uncompensated Care

In accordance with its mission and philosophy, the CHS Hospitals commit substantial resources to both the indigent and the broader community. The CHS Hospitals' policy regarding charity care is to provide care without regard to the patient's ability to pay for services rendered. To the extent that patients do not have the ability to pay, they are reported as charity care. The CHS Hospitals also provide other uncompensated care through a broad range of community service programs and charitable activities. The amount of community benefits and other uncompensated care, at cost, provided to the indigent and broader community for the years ended December 31 is as follows:

		2013	2012
Cost of community benefit:			
Net cost of charity care provided	$	19,451	18,876
Unpaid cost of public programs, Medicaid, and other means tested programs		25,061	16,083
Cash donations		1,003	1,617
Education and research		19,883	14,759
Other community benefit programs		31,089	24,790
Total cost of community benefit from continuing operations	$	96,487	76,125
Provision for bad debts (at cost)	$	3,057	6,034

New York State regulations provide for the distribution of funds from an indigent care pool, which is intended to partially offset the cost of services provided to the uninsured. The funds are distributed to the CHS Hospitals based on their level of bad debt, charity care, and uninsured units of service in relation to all other New York State hospitals. For the years ended December 31, 2013 and 2012, the CHS Hospitals received distributions of $15,346 and $16,379, respectively, from the indigent care pool while contributing $12,556 in 2013 and $10,744 in 2012. The net shortfall of contributions to the indigent care pool over distributions received has been applied against amounts reported above as net cost of charity care provided and net uncompensated care reported as provision for bad debts.

(Dollars in thousands)

The CHS Hospitals utilize a cost-to-charge ratio methodology to convert charity care to cost. The cost-to-charge ratio is calculated utilizing the methodology employed on the Medicare cost report.

(4) Patient Accounts Receivable and Patient Service Revenue

(a) Patient Accounts Receivable

CHS has contractual agreements with third-party payors that provide for payment at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments.

For patient accounts receivable associated with self-pay patients, CHS records a significant provision for bad debts for patients that are unable or unwilling to pay for the portion of the bill representing their financial responsibility.

The following tables set forth the components of the change in the allowance for doubtful accounts for the years ended December 31:

	2013			
Primary payor	**Balance at beginning of year**	**Provision for bad debts**	**Write-offs, net of recoveries**	**Balance at end of year**
Medicare (including managed Medicare)	$ 5,306	5,457	(4,079)	6,684
Medicaid (including managed Medicaid and Medicaid pending)	5,645	2,529	(3,371)	4,803
Commercial and managed care	7,556	10,681	(9,759)	8,478
Self-pay and other fee for service	18,635	18,699	(17,458)	19,876
Grand total	$ 37,142	37,366	(34,667)	39,841

(Dollars in thousands)

		2012			
Primary payor		**Balance at beginning of year**	**Provision for bad debts**	**Write-offs, net of recoveries**	**Balance at end of year**
Medicare (including managed Medicare)	$	3,754	3,094	(1,542)	5,306
Medicaid (including managed Medicaid and Medicaid pending)		4,088	3,889	(2,332)	5,645
Commercial and managed care		6,044	7,604	(6,092)	7,556
Self-pay and other fee for service		15,842	16,043	(13,250)	18,635
Grand total	$	29,728	30,630	(23,216)	37,142

(b) Patient Service Revenue

The estimated percentages of patient service revenue by inpatient and outpatient services for the years ended December 31 are as follows:

	2013	**2012**
Inpatient services	60%	62%
Outpatient services	40	38

The following table reflects the estimated percentages of net patient services revenue, net of provision for bad debts, for the years ended December 31:

	2013	**2012**
Medicare (including managed Medicare)	41%	41%
Medicaid (including managed Medicaid and Medicaid pending)	11	11
Commercial and managed care	43	43
Self-pay and other fee for service	5	5
	100%	100%

(Dollars in thousands)

(5) Concentration of Credit Risk

CHS provides healthcare and other services through its inpatient and outpatient care facilities located throughout Long Island, New York. CHS grants credit without collateral to patients, most of whom are local residents, and routinely obtains assignment of or is otherwise entitled to receive patients' benefits payable under their health insurance program. The composition of accounts receivable from patients and third-party payors at December 31 is as follows:

	2013	2012
Medicare (including managed Medicare)	42%	43%
Medicaid (including managed Medicaid and Medicaid pending)	15	16
Commercial and managed care	29	27
Self-pay and other	14	14
	100%	100%

At December 31, 2013 and 2012, CHS has cash balances in financial institutions that exceed federal depository insurance limits. CHS routinely invests its surplus operating funds in money market funds. These funds generally invest in highly liquid U.S. government and agency obligations. Investments in money market funds are not insured or guaranteed by the U.S. government.

(6) Contributions Receivable

Contributions receivable consisted of the following at December 31:

		2013	2012
Total contributions receivable	$	5,829	6,189
Less imputed interest ranging from 4.25% to 0.76%		(461)	(502)
		5,368	5,687
Less allowance for uncollectible contributions receivable		(326)	(340)
	$	5,042	5,347

Contributions receivable are scheduled to be collected as follows at December 31:

		2013	2012
Less than one year	$	2,347	2,465
One year to five years		3,028	2,950
Thereafter		454	774
	$	5,829	6,189

(Dollars in thousands)

(7) Property and Equipment

The components of property and equipment, including assets under capitalized lease obligations, and accumulated depreciation and amortization are as follows at December 31:

		2013	2012
Land	$	39,984	39,984
Land improvements		54,545	53,218
Buildings (including building service equipment)		990,671	962,907
Furniture and equipment		839,872	767,498
Leasehold improvements		25,480	23,362
Construction in progress		17,278	24,968
		1,967,830	1,871,937
Less accumulated depreciation		1,122,308	1,030,133
Net property and equipment	$	845,522	841,804

Construction in progress includes the costs associated with various expansion and renovation projects.

(8) Long-Term Debt

Long-term debt consists of the following at December 31:

		2013	2012
Long-term debt:			
DASNY mortgage loans – Obligated Group (a)	$	121,315	125,178
Series 2011 Fixed-rate bonds (a)		255,469	256,739
Term loan – variable rate CHS (b)		12,672	13,530
Term loans – variable rate SJH (c)		16,229	17,179
TELP Loan – fixed rate (d)		74,729	88,849
Irrevocable line of credit – CHSLI (e)		23,021	23,021
Other		13,542	22,927
		516,977	547,423
Less current portion		27,687	30,412
Total long-term debt, net of current portion	$	489,290	517,011

(a) In September 1999, Good Samaritan, Mercy, St. Francis, and St. Charles formed an "Obligated Group" pursuant to a Master Trust Indenture (MTI). On December 14, 2011, in conjunction with the issuance of $245,230 of tax-exempt revenue bonds, $184,680 through the Suffolk County Economic Development Corporation (Series 2011 Suffolk Bonds) and $60,550 through the Nassau County Local Economic Assistance and Financing Corporation (Series 2011 Nassau Bonds) (together, the Series 2011 Bonds), the Master Trust Indenture dated September 1, 1999 was amended by and among the CHS Hospitals (with the exception of St. Joseph), adding St. Catherine to the Obligated Group. The Series 2011 Bonds were issued on behalf of the Obligated Group and pursuant to the MTI; each member of the Obligated Group is jointly and severally liable for outstanding obligations under the MTI. The Series 2011 Bonds are secured by the mortgaged property and by a security interest in all revenues of the Obligated Group. The original issue premium of $12,738 will be amortized over the life of the bonds.. The Series 2011 Bonds bear interest at combined effective yields ranging from 1.5% to 4.85%.

Proceeds of the Series 2011 Bonds were used to defease the Dormitory Authority of the State of New York (DASNY) 1999A revenue bonds issued on behalf of the Obligated Group (with the exception of St. Catherine), the DASNY Series 2000A and 2000B revenue bonds on behalf of St. Catherine, and Siena Village, Inc., and commercially held debt of Consolation.

Approximately $79,474 was deposited within a trustee held account to reimburse the CHS Hospitals (with the exception of St. Joseph) for previously purchased and future routine capital expenditures, of which $14,400 and $43,229 remained within trustee held and other agreements on the accompanying consolidated financial statements as of December 31, 2013 and 2012, respectively. The remaining bond funds were used to pay for the cost of issuance and related interest payable.

The DASNY 1999B revenue bonds consist of term bonds of serial Periodic Auction Rate Securities (PARS) bonds with interest payable at variable rates ranging from 0.06% to 0.32% during 2013, of which $35,200 and $36,750 was outstanding at December 31, 2013 and 2012, respectively. The PARS are subject to a weekly auction; should the weekly auction not produce sufficient purchasers of the PARS, the underwriter is obligated to purchase the unpurchased PARS and is entitled to an annual interest rate of the lesser of (a) 14% or (b) the product of the seven-day AA composite commercial paper rate and a sliding scale of 125% to 200%, depending on the rating of the PARS bond guarantor, rated BBB as of December 31, 2013. Since the first quarter of 2008, there have been failed auctions. The PARS bonds do not provide for any put feature for the benefit of the holders.

In November 2004, DASNY issued $99,645 of revenue bonds on behalf of the Obligated Group for construction at St. Francis Hospital (DASNY Construction loan). The revenue bonds are secured by the joint and several obligations of the Obligated Group issued under the Master Trust Indenture and are subject to certain financial covenants of the Obligated Group. There was $86,115 and $88,428 outstanding on the 2004 DASNY mortgage at December 31, 2013 and 2012, respectively. The effective interest rate including bond issuance costs is 5.28% and is payable semiannually.

(b) In June 2006, CHS entered into a term loan agreement with a bank to finance the defeasance of the New Island DASNY 1999B bonds, which were defeased on June 20, 2006. The loan of $19,057 bears interest at a variable rate based on LIBOR plus 0.50%, and is payable in 40 quarterly installments. During 2013, the interest rate ranged from 0.77% to 0.89%. The first 20 payments are for $191 plus interest and the next 19 payments are for $286 plus interest with a balloon payment due in June 2016 of $9,814.

(c) On December 30, 2010, St. Joseph entered into two term loan agreements with a bank. The first for $12,500 was to refinance St. Joseph’s existing debt and to provide working capital, and the second for $6,500 for information technology upgrades, facility renovations, and the acquisition of related equipment. The term loans are payable in annual installments of $625 and $325, respectively, beginning February 2011, with a balloon payment due in December 2020 for the then remaining balance of the loans. Interest is payable at a rate of LIBOR plus 1.10%. The term loans are guaranteed by the Obligated Group and are subject to certain financial covenants of the Obligated Group.

(Dollars in thousands)

(d) In December 2011, CHS entered into an agreement under the New York State tax-exempt leasing program (TELP) in the amount of $88,849 to finance the implementation of EHR. The agreement calls for an interest rate of 1.89%, and expires in December 2018. Approximately $81,176 was deposited within a trustee held account to reimburse the CHS for future expenditures relating to the implementation of EHR, of which approximately $25,516 and $55,918 remained in trustee held accounts as of December 31, 2013 and 2012, respectively. The TELP loan is guaranteed by the Obligated Group and is subject to certain financial covenants of the Obligated Group.

(e) CHS executed a line of credit arrangement with a bank in which a $30,000 revolving line of credit is available, which is not callable until July 2014, at which time CHS has the option to convert the line of credit into a three-year fully amortizing term loan. The line bears interest at LIBOR plus 0.5%. The outstanding balance under this line was $23,021 at December 31, 2013 and 2012, respectively.

At December 31, 2013, aggregate annual maturities of long-term debt, including obligations under capital leases are as follows:

		Long-term debt	Other debt obligations	Total
2014	$	9,292	18,410	27,702
2015		9,493	17,195	26,688
2016		23,089	15,300	38,389
2017		15,968	38,246	54,214
2018		16,918	15,516	32,434
Thereafter		337,565	—	337,565
		412,325	104,667	516,992
Less interest		—	15	15
Total long-term debt	$	412,325	104,652	516,977

(9) Lines of Credit and Short-Term Debt

At December 31, 2013, Maryhaven had two lines of credit, for operations and equipment, with a bank totaling approximately $9,000, which both expire on March 31, 2015. At December 31, 2013 and 2012, Maryhaven had nothing drawn on the operating line of credit. The equipment line of credit, in the amount of $2,000, is utilized for the purchase of equipment and vehicles. Advances against the line are converted to four to seven-year term notes. At December 31, 2013 and 2012, Maryhaven had notes payable of $767 and $377, respectively, drawn against the equipment line of credit.

(10) Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. With the exception of long-term debt, the carrying amounts of CHS' financial instruments, including other debt obligations, approximate their fair value. The carrying amounts and fair values of long-term debt are $412,325 and $419,077, respectively, at December 31, 2013 and $422,952 and $431,952, respectively, at December 31, 2012. The fair value of the debt was determined by comparing market prices of similar debt based on Level 2 inputs under an income approach. At December 31, 2013 and 2012, the carrying amount of other debt obligations approximated fair value.

The Financial Accounting Standards Board *Fair Value Measurements and Disclosure* Topic also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include cash and cash equivalents, debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed debt securities, and corporate debt securities.

Level 3: Unobservable inputs supported by little or no market activity that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.

The following discussion describes the valuation methodologies used for financial assets measured at fair value. The techniques utilized in estimating the fair values are affected by assumptions used, including discount rates and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about CHS' business, its value, or financial position based on the fair value of financial assets presented.

Fair values for CHS' fixed-maturity and equity securities are based on prices provided by its investment managers and its custodian banks. Both the investment managers and the custodian banks use a variety of pricing sources to determine market valuations. Each designates specific pricing services or indexes for each sector of the market based upon the provider's expertise. CHS' fixed-maturity securities portfolio is highly liquid, which allows for a high percentage of the portfolio to be priced through pricing services.

Fair value of alternative investments is estimated based on net asset value per share, as provided by external investment managers or in audited financial statements when available. Valuations provided by external investment managers include estimates, appraisals, assumptions, and methods that are reviewed by management. Management believes that differences that may exist between fair value and net asset value are not material to the overall consolidated financial statements.

There were no significant transfers into or out of Level 1 for the years ended December 31, 2013 and 2012. CHS recognizes transfers between the levels of the fair value hierarchy at the beginning of the reporting period in which the date of the event or change in circumstances that caused the transfer occurs.

CHS has two alternative investments classified as Level 2 as of December 31, 2013; one can be redeemed at the option of CHS upon 45 days' prior written notice, on a quarterly basis, and the other can be redeemed on a monthly basis. CHS has two alternative investments classified as Level 3 as of December 31, 2013 and 2012. The external investment manager of each investment has the right to waive both the notice period and any one-year wait period.

All other investments and assets limited or restricted as to use may be redeemed daily with one days' notice.

(Dollars in thousands)

The following table presents CHS' fair value measurements for assets measured at fair value on a recurring basis as of:

	December 31, 2013			
	Fair value	**Level 1**	**Level 2**	**Level 3**
Assets limited or restricted as to use:				
Cash and cash equivalents	$ 99,639	99,639	—	—
U.S. Treasury obligations	59,307	59,307	—	—
U.S. government agencies obligations	60,363	—	60,363	—
Marketable equity securities – domestic	617	617	—	—
Corporate debt securities – domestic	43,106	—	43,106	—
Corporate debt securities – foreign	3,727	—	3,727	—
Foreign corporate obligations	305	—	305	—
Municipal debt obligations	72,367	—	72,367	—
Equity mutual funds – domestic	78,216	78,216	—	—
Equity mutual funds – foreign	27,897	27,897	—	—
Fund of funds	925	—	925	—
Equity pooled capital funds	44,290	—	44,029	261
Accrued interest receivable	1,240	1,240	—	—
	491,999	266,916	224,822	261
Investments:				
Cash and cash equivalents	1,440	1,440	—	—
U.S. Treasury obligations	46,104	46,104	—	—
U.S. government agencies obligations	13,526	—	13,526	—
Marketable equity securities – domestic	352	352	—	—
Corporate debt securities – domestic	31,274	—	31,274	—
Corporate debt securities – foreign	2,980	—	2,980	—
Municipal debt obligations	54,697	—	54,697	—
Equity mutual funds – domestic	76,602	76,602	—	—
Equity mutual funds – foreign	40,019	40,019	—	—
Fund of funds	3,067	—	3,067	—
Equity pooled capital funds	60,477	—	59,612	865
Accrued interest receivable	882	882	—	—
	331,420	165,399	165,156	865
Total investments and assets limited or restricted as to use	$ 823,419	432,315	389,978	1,126

(Continued)

(Dollars in thousands)

The following table presents CHS' fair value measurements for assets measured at fair value on a recurring basis as of:

	December 31, 2012			
	Fair value	**Level 1**	**Level 2**	**Level 3**
Assets limited or restricted as to use:				
Cash and cash equivalents	$ 186,092	186,092	—	—
U.S. Treasury obligations	79,441	79,441	—	—
U.S. government agencies obligations	33,959	—	33,959	—
Marketable equity securities – domestic	8,864	8,864	—	—
Corporate debt securities – domestic	50,529	—	50,529	—
Corporate debt securities – foreign	3,339	—	3,339	—
Foreign corporate obligations	284	—	284	—
Municipal debt obligations	80,969	—	80,969	—
Equity mutual funds – domestic	33,310	33,310	—	—
Equity mutual funds – foreign	18,959	18,959	—	—
Fund of funds	725	—	725	—
Equity pooled capital funds	33,863	—	33,636	227
Accrued interest receivable	1,368	1,368	—	—
	531,702	328,034	203,441	227
Investments:				
Cash and cash equivalents	37,796	37,796	—	—
U.S. Treasury obligations	40,682	40,682	—	—
U.S. government agencies obligations	22,103	—	22,103	—
Marketable equity securities – domestic	31,606	31,606	—	—
Corporate debt securities – domestic	42,910	—	42,910	—
Corporate debt securities – foreign	2,749	—	2,749	—
Municipal debt obligations	46,486	—	46,486	—
Equity mutual funds – domestic	18,584	18,584	—	—
Equity mutual funds – foreign	17,158	17,158	—	—
Fund of funds	2,611	—	2,611	—
Equity pooled capital funds	45,271	—	44,337	934
Accrued interest receivable	939	939	—	—
	308,895	146,765	161,196	934
Total investments and assets limited or restricted as to use	$ 840,597	474,799	364,637	1,161

(Continued)

(Dollars in thousands)

The current portion of assets limited or restricted as to use of $14,026 in 2013 and $13,010 in 2012 represents amounts that will be used to repay certain current installments of long-term debt and related accrued interest.

The tables below summarize the change in carrying values associated with Level 3 investments for the years ended December 31, 2013 and 2012:

		Investments	Assets limited or restricted as to use
Beginning balance – January 1, 2013	$	934	227
Net (depreciation) appreciation on fair value of investment		(69)	34
Ending balance – December 31, 2013	$	865	261

		Investments	Assets limited or restricted as to use
Beginning balance – January 1, 2012	$	1,069	360
Net depreciation on fair value of investment		(135)	(133)
Ending balance – December 31, 2012	$	934	227

Total investment gains are reported as follows in the accompanying consolidated statements of operations and changes in net assets for the years ended December 31:

		2013	2012
Interest income	$	14,489	14,748
Net realized gains on sales of securities		23,932	30,256
Investment income, net		38,421	45,004
Unrealized gains on trading investments		28,729	4,950
Total investment gains	$	67,150	49,954

(Dollars in thousands)

Total investment gains are classified as follows for the years ended December 31:

		2013	2012
Unrestricted net assets	$	63,955	47,547
Temporarily restricted net assets		3,195	2,404
Permanently restricted net assets		—	3
Investment income, net	$	67,150	49,954

(11) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of December 31:

		2013	2012
Capital expenditures	$	20,585	14,809
Indigent and charity care		1,236	1,037
Health education		2,512	2,053
Research		921	2,282
Pediatric cardiology		914	744
Preadmission testing		182	145
Healthcare services		3,107	3,111
Other		5,244	5,573
	$	34,701	29,754

Assets restricted for capital expenditures relate mainly to the St. Francis Master Facilities Plan and are released from restriction as stages of the project are placed into service. Included in other is contributions receivable of approximately $4,268 and $4,770 at December 31, 2013 and 2012, respectively, for capital expenditures.

Net assets were released from donor restriction by incurring expenses satisfying the following restrictions:

		2013	2012
For operations:			
Health education	$	257	381
Indigent care		94	152
Research		313	6
Healthcare services		279	1,297
Total for operations		943	1,836
For capital expenditures		3,716	12,038
Total net assets released from restrictions	$	4,659	13,874

(Dollars in thousands)

CHS has adopted investment and spending policies for permanently restricted net assets that attempt to provide a predictable stream of funding to programs supported by its permanently restricted net assets while seeking to maintain the purchasing power of these assets. CHS' permanently restricted net assets are comprised of donor-restricted funds. As required by GAAP, permanently restricted net assets are classified and reported based on the existence of donor-imposed restrictions.

Income earned on permanently restricted net assets is available for the following purposes as of December 31:

		2013	2012
Pediatric and geriatric cardiology care and research	$	3,119	3,130
Healthcare services		776	776
Other		157	149
	$	4,052	4,055

(12) Retirement Plan and Other Postretirement Benefits

(a) Retirement Plan

Diocese Pension Plan

CHS participates in a pension plan of the Diocese, a multi-employer plan, which covers substantially all lay employees with one year of continuous service. CHS' combined retirement plan expense is equal to the required annual contributions to the plan, which are calculated based on actuarially determined methods. Amounts charged to pension expense in 2013 and 2012 totaled $62,082 and $62,042, respectively, and are included in employee benefits in the accompanying consolidated statements of operations. CHS' contribution to the plan is in excess of 5% of total plan contributions. The following table discloses the name and funded status of the pension plan as of January 1, 2013 (the date of the last actuarial valuation):

Legal name and plan number	EIN		Accumulated benefit obligation	Market value of plan assets
Diocese of Rockville Center Pension Plan, Number 002	27-1715985	$	1,027,475	997,916

The accumulated benefit obligation and market value of plan assets are not reflected in the accompanying balance sheets of CHS.

St. Joseph participates in two multi-employer union pension plans, covering substantially all employees not eligible for the Hospital's plan.

1199 SEIU HealthCare Employees Pension Fund

The Employee Identification Number/three-digit Pension Plan number is 13-3604862/001. The most recent Pension Protection Act (PPA) zone status is green and yellow at December 31, 2013 and 2012, respectively, which is for the plan years ended December 31, 2012 and 2011, respectively. The zone status is based on information that St. Joseph received from the plan sponsor and, as required by the PPA, is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

The financial improvement plan (FIP) or a rehabilitation plan (RP), as required by PPA, has been implemented by the plan's sponsor. The expiration date of the collective-bargaining agreement requiring contributions to the plan is April 30, 2015. The contributions by St. Joseph to the union pension fund were $1,724 and $1,473 for the years ended December 31, 2013 and 2012, respectively, which is included in employee benefits within the statements of operations. There have been no significant changes that affect the comparability of 2013 and 2012 contributions.

New York State Nurses Association

The Employee Identification Number/three-digit Pension Plan number is 13-6604799/001. The most recent PPA zone status is green at December 31, 2013 and 2012. The zone status is based on information that St. Joseph received from the plan sponsor and, as required by the PPA, is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

The FIP or a RP, as required by PPA, has been implemented by the plan's sponsor. The expiration date of the collective-bargaining agreement requiring contributions to the plan is March 31, 2015. The contributions by St. Joseph to the union pension fund were $1,335 and $1,356, for the years ended December 31, 2013 and 2012, respectively, which is included in employee benefits within the statements of operations. There have been no significant changes that affect the comparability of 2013 and 2012 contributions.

(b) Postretirement Benefit Plans

The CHS Hospitals have postretirement benefit plans that provide benefits for eligible employees at varying ages of retirement. The postretirement benefit plans primarily reimburse employees for unused sick pay dollars an employee accumulated during employment, or provide a set payment for certain eligible benefits for up to a maximum of $5 per year for a fixed number of years.

Effective January 1, 2014, employees hired on or after January 1, 2014 will no longer be eligible to participate in the St. Francis Sick Pay Plan. At December 31, 2013, the plan was frozen and existing employees will receive the lower of their balance in the plan as of December 31, 2013, or their accrued sick time at retirement based on their 2013 rate of pay.

(Dollars in thousands)

CHS complies with provisions in the Codification, which require an employer to recognize an asset or liability for the overfunded or underfunded status, respectively, of its postretirement benefit plans in its financial statements. When recognizing a postretirement benefit plan's funded status, certain gains, losses, and transition amounts will be recognized with the offset to a separate line item outside (below) the performance indicator. These amounts will subsequently be reclassified out of unrestricted net assets into the performance indicator through net periodic benefit expense based on the amortization and recognition requirements.

The net periodic cost for postretirement benefits, which is included in employee benefits expense in the accompanying consolidated financial statements, for 2013 and 2012 includes the following components:

		2013	2012
Service cost	$	1,754	1,395
Interest cost		761	856
Actuarial loss		265	19
Curtailment gain		(1,566)	—
Amortization of prior service cost		78	31
Amortization of net loss		—	204
Net periodic benefit cost	$	1,292	2,505

Total benefits paid under the plan were $326 and $337 in 2013 and 2012, respectively.

The following table sets forth the unfunded status for CHS' postretirement benefit plan at December 31:

		2013	2012
Accumulated postretirement benefit obligation:			
Retirees and beneficiaries	$	738	2,114
Fully eligible active plan participants		17,949	22,082
Total accumulated postretirement benefit obligation		18,687	24,196
Plan assets, at fair value		—	—
Accumulated postretirement benefit obligation in excess of plan assets	$	18,687	24,196

The postretirement benefit obligation is predominantly included within the caption other long-term liabilities in the accompanying consolidated balance sheets.

(Dollars in thousands)

The following table represents the changes in accumulated postretirement benefit obligation for the years ended December 31:

		2013	2012
Accumulated postretirement benefit obligation – January 1	$	24,196	20,482
Service cost		1,754	1,395
Interest cost		761	856
Curtailment gain		(2,759)	—
Plan amendments and adjustments		777	224
Benefits paid		(326)	(337)
Actuarial (gain) loss		(5,716)	1,576
Accumulated postretirement benefit obligation – December 31	$	18,687	24,196

Assumptions used in accounting for postretirement benefits as of December 31, 2013 and 2012 were predominantly as follows:

	2013	2012
Assumed discount rate ranging from	4.05%–4.43%	3.01%–3.27%
Assumed rates of increase in compensation levels	4.00	4.00

Expected benefit payments for the next five years and five years thereafter are as follows:

2014	$	738
2015		860
2016		941
2017		1,002
2018		1,050
2019 – 2023		6,818
	$	11,409

Amounts not yet reflected in net periodic benefit costs and included in unrestricted net assets consist of losses of $840 and $7,127 in 2013 and 2012, respectively.

Changes in the assumed healthcare cost trend would not materially affect the accumulated postretirement benefit obligation, as the benefit is limited to the amount of the employees’ unused sick pay, or a stated maximum eligible benefit.

(Continued)

(Dollars in thousands)

(13) Functional Expenses

CHS provides healthcare and other services to residents within its geographical location. Expenses related to providing these services are as follows:

		2013	2012
Healthcare services	$	1,867,571	1,811,203
Administrative and general		209,102	191,803
Total expenses	$	2,076,673	2,003,006

(14) Commitments

Operating Leases

CHS has entered into various operating leases for equipment and facilities, expiring at various dates. Total rental expense at December 31, 2013 and 2012 for such operating leases was approximately $15,089 and $13,904, respectively, and is included in supplies and other expenses in the accompanying consolidated statements of operations.

The following is a schedule of future minimum lease payments under significant operating leases that have initial or remaining lease terms in excess of one year.

Year ending December 31:		
2014	$	14,887
2015		13,465
2016		12,427
2017		11,728
2018		10,484
2019 and thereafter		64,102
	$	127,093

(15) Contingencies

General

The CHS entities have been named as defendants in a number of legal actions involving alleged professional liability claims and other claims arising from the normal conduct of its affairs, certain of which seek damages in unstated amounts. It is the opinion of CHS's management, based on a review of the aforementioned claims by defense attorneys and CHS' in-house legal counsel, that insurance coverage and self-insurance reserves are adequate and the final disposition of such claims will not have any material adverse effect on CHS' consolidated financial position, results of operations, or liquidity. In addition, there are known, and possibly unknown, incidents that occurred through December 31, 2013 that may result in the assertion of additional claims. In management's opinion, any liability that may arise from settlement of such claims will be settled within either insurance coverage limits or self-insured liability estimates or otherwise will not have any material adverse effect on CHS' consolidated financial position, results of operations, or liquidity.

(Dollars in thousands)

During 2013, St. Charles received a negative verdict related to an infant-plaintiff. This case has been to trial in Suffolk County on three separate occasions, each with a different result. Defense counsel and the primary insurers advise that the sustainable value of this case, once the NYS medical indemnity fund is taken into consideration, is well within the insurance coverage in place for St. Charles for this year after the exhaustion of a significant self-insurance layer. The negative verdict received is currently under appeal.

Workers' Compensation and Other Self-Insured Liabilities

The PSIP covered CHS for workers' compensation, directors' and officers' liability, auto liability, physical damage, and property insurance. Beginning January 1, 2012, workers' compensation is covered through a commercial carrier. The covered areas either are self-insured with excess insurance policies or maintain substantial self-insured retention limits and deductibles.

In connection with these self-insured liabilities, CHS recorded insurance expense for the years ended December 31, 2013 and 2012 of $14,739 and $16,242, respectively, which is included in employee benefit expense within the consolidated statements of operations. The current portion of the PSIP and workers' compensation self-insurance liability of $18,854 and $16,650 at December 31, 2013 and 2012, respectively, is included within the caption current portion of other self-insured liabilities in the accompanying consolidated balance sheets.

As of December 31, 2013 and 2012, CHS has recorded a liability and a related insurance receivable as follows:

		2013	2012
Other self-insured liabilities	$	122,933	121,490
Insurance claims receivable		(34,966)	(32,461)

The current portion of insurance claims receivable related to other self-insured liabilities of $5,192 and $4,645 is included within other receivables in the consolidated balance sheet as of December 31, 2013 and 2012, respectively.

Malpractice

CHS provides for potential medical malpractice losses through a combination of purchased primary insurance, self-insurance, and layers of commercial excess insurance.

From November 1, 2002, through October 31, 2006, the CHS Hospitals purchased a shared claims-made commercial policy for primary coverage with varying limits per claim and in the aggregate, which were augmented by a shared claims-made commercial excess policy, with varying layers of self-insurance. From November 1, 2006, through October 31, 2013, the CHS Hospitals (excluding St. Joseph) each purchased an individual claims-made malpractice policy for primary first dollar coverage with limits of $1,000 per claim and an aggregate of $6,000.

(Dollars in thousands)

Effective November 1, 2013, the CHS Hospitals retained $250 of primary coverage per malpractice claim. Each CHS Hospital purchased an individual claims-made malpractice policy with each Hospital, excluding Good Samaritan, with coverage limits of $1,000 per claim and aggregate of $6,000 (Good Samaritan with limits of $2,000 per claim and aggregate of $10,000) after exhausted primary per claim coverage. Excess coverage is provided by the Captive with coverage limits shared with the other participants of the Captive of $59,000 per claim and $59,000 in the aggregate.

For the period November 1, 2002 through October 31, 2006, defense costs are outside the stated policy limits and are provided by the primary carrier for the life of the claim. For the period beginning November 1, 2006 to the present, defense costs are outside of the stated policy limits. However, if the aggregate of the primary policy is exhausted, the primary carrier will cease to pay defense costs and the Captive will assume responsibility for these costs.

Beginning in August 2003 through July 31, 2010, St. Joseph increased the limits of its primary policy to $2,000 per claim, with an aggregate of $6,000 for each policy period. The limits of the excess coverage varied during this time period. From August 2003 through July 2006, St. Joseph purchased an excess policy with limits of $4,000 per claim and in the aggregate. From August 2006 through July 2008, St. Joseph purchased excess coverage with limits of $10,000 per claim and in the aggregate. For the period of August 2008 through July 2009, the excess policy limits were $8,000 per claim and in the aggregate. For the period of August 2009 – July 2010, the excess policy limits were $10,000 per claim and in the aggregate.

In August 1, 2010, St. Joseph purchased a commercial claims-made policy with limits of $1,000 per claim and $6,000 in the aggregate. St. Joseph also purchased an excess policy with limits of $10,000 per claim, and in the aggregate. Effective November 1, 2012, St. Joseph excess coverage is provided by the Captive with coverage limits shared with other participants.

Each CHS Hospital has obtained an actuarial valuation of the estimated liability, which includes self-insured periods prior to November 1, 2002, self-insured buffer layers, and incidents that have occurred but for which a claim has not been reported.

As of December 31, 2013 and 2012, CHS has recorded a liability and a related insurance receivable as follows:

		2013	2012
Estimated malpractice liability	$	194,963	188,393
Insurance claims receivable		(111,329)	(107,709)

Reimbursement Contingencies

CHS has agreements with third-party payors that provide for payments to CHS at amounts that are different from their established rates. Net patient services revenue for the years ended December 31, 2013 and 2012 increased by $11,181 and $21,994, respectively, for settlements related to prior years and changes in estimates to reflect the most recent information available. During May 2012, CMS settled a series of lawsuits filed in 2007 that challenged the calculation involving the use of the rural floor provision of the Balanced Budget Act of 1997. As a result of participating in the lawsuit, CHS received a settlement of $19,123 reflected within Net Patient Service Revenue for 2012. Fees associated with participating in the lawsuit were approximately $4,841 and increased supplies and expenses for the year ended December 31, 2012.

A summary of the payments arrangement with major third-party payors is as follows:

Medicare

Inpatient acute and certain outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge or procedure. These rates vary according to patient classification systems based on clinical, diagnostic, and other factors. Certain items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary.

Medicaid

The New York Health Care Reform Act of 1996 (the Act), as amended, governs payments to hospitals in New York State, and Medicaid, workers' compensation, and no-fault payors rates are promulgated by the New York State Department of Health. Reimbursement for services to Medicaid program beneficiaries includes prospectively determined rates per discharge and per visit amounts.

Other Third-Party Payors

CHS has entered into payment arrangements with certain commercial carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, and per diem payment rates. If such rates are not negotiated, then the payors are billed at CHS' established charges.

Healthcare Regulatory Environment

As a result of recently enacted federal healthcare reform legislation, substantial changes are anticipated in the U.S. healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement of healthcare providers, and the legal obligation of health insurers, providers, and employers. These provisions are currently slated to take effect at specific times over approximately the next decade.

The healthcare industry is subject to extensive governmental regulation through numerous and complex laws, some of which are ambiguous and subject to varying interpretation. The federal government and many states, including the State of New York, have aggressively increased enforcement under a number of such laws that are often referred to as Medicare and Medicaid "antifraud and abuse" legislation. For many years, CHS has maintained a corporate compliance program to monitor the organization's compliance with applicable laws, including the so-called "antifraud and abuse" rules. Noncompliance with such rules could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties, and exclusion from the Medicare and Medicaid programs.

An emphasis has been placed on the obligation of Medicare and Medicaid providers to self-disclose the receipt of "overpayments." As a result of monitoring and review conducted under the CHS' corporate compliance program, CHS has made self-disclosures of such "overpayments" resulting in two sets of settlement agreements with the Office of Inspector General (OIG); one set executed during 2011 in the amount of $2,651, and a second set executed and paid during 2012 in the amount of $2,358. CHS is awaiting final settlement discussions on the balance of its disclosures; outcomes of these self-disclosures are unknown as of the opinion date. Based on current information, the outcomes of these disclosures are not expected to have a significant impact on the operations of CHS.

Medicare Recovery Audit Contractor Program

Recent federal initiatives have prompted a national review of federally funded healthcare claims. To this end, the federal government and states have implemented programs to review and recover potential improper payments to providers from the Medicare and Medicaid programs. Since June 2010, some of the CHS Hospitals have received audit requests from the Medicare Recovery Audit Contractor (RAC) program. These RAC audit requests have focused on medical necessity of inpatient admissions and hospital coding practices. In addition, the CHS Hospitals have continued to receive audit requests from other Medicare and Medicaid contractors and federal programs. CHS has cooperated with each of these audit requests and implemented a program to track and manage their effort.

Budget Control Act

The Budget Control Act of 2011 (the Budget Control Act) mandated significant reductions and spending caps on the federal budget for fiscal years 2012 through 2021. The Budget Control Act also created a Joint Select Committee on Deficit Reduction (the Super Committee) to develop a plan to further reduce the federal deficit by $1.5 trillion on or before November 23, 2011. Since the Super Committee failed to act before the mandated deadline, a 2% reduction in Medicare spending, among other reductions, was to take effect beginning January 1, 2013 in a process known as sequestration. The Budget Control Act also required a 26.5% reduction in the sustainable growth rate formula regarding physician reimbursement under Medicare to be effective January 1, 2013.

On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act, which delayed sequestration until March 1, 2013 which will continue until Congress takes further action. Further, the American Taxpayer Relief Act delays the implementation of the reduction to the sustainable growth rate formula regarding physician reimbursement under Medicare through the end of 2013. As such, the Hospital nonphysician Medicare payments were reduced by the mandatory 2% reduction for claims with dates of service or dates of discharge on or after April 1, 2013.

(Continued)

HUD Subsidy

Siena Village, Inc. receives Housing Assistance Payments (HAP Payments) under Section 8 of the United States Housing Act of 1937, as amended (Section 8), in accordance with a Housing Assistance Payment Contract (HAP Contract). The HAP Contract with respect to Siena Village, Inc. provides for the payment of the Section 8 rent subsidy for each of the 298 units. The current HAP Contract subsidy received by Siena Village, Inc. consists of debt service and operating subsidies. The HAP Contract provides that for the term of the HAP Contract, HAP Payments will be provided only with respect to units leased to low-income families and very-low-income families, as defined under Section 8. Eligible tenants include families whose head of household, spouse, or sole member is aged 62 years or over, or, if permanently disabled, aged 18 years or over. The HAP Contract was renewed during 2012 for two years through March 31, 2014. Management intends to renew the HAP Contract. Siena Village, Inc. received HAP Payments of $2,526 and $2,513, during the years ended December 31, 2013 and 2012, respectively, which is reflected in other revenue in the consolidated statements of operations.

Long Island Health Network

CHS, the CHS Hospitals, along with a number of other healthcare providers on Long Island have entered into a partnership agreement, which operates as the Long Island Health Network (LIHN). LIHN was created to establish a comprehensive and efficient hospital network in Nassau and Suffolk counties by working to improve quality of care, facilitate clinical integration, benchmark best practices, reduce length of stay and costs, and negotiate arrangements with third-party payors for the delivery, administration and management of healthcare services.

LIHN was created in 1998 after review by the Attorney General of the State of New York and approval by the Antitrust Division of the U.S. Department of Justice. The New York State Attorney General's Office has periodically requested information and documents from LIHN regarding the operation of its clinical integration program and related activities, in 2000, 2002, and most recently in November 2013, this time through the issuance of a civil subpoena. LIHN is responding to the subpoena and continues to cooperate with the Attorney General. These informational requests do not constitute or contain a claim or allegation that there has been any violation of law.

Any member of LIHN may withdraw at any time. Such withdrawal would require a payment of liquidated damages to LIHN. In the case of the CHS Hospitals, the amount of liquidated damages would be $6,000,000. The obligation to pay such liquidated damages is guaranteed jointly and severally by CHS and each CHS Hospital. It is CHS management's current intention to remain a member of LIHN for the foreseeable future.

Visiting Nurse Association of Long Island, Inc.

On October 23, 2013, a Certificate of Need Establishment Application was filed with the New York State Department of Health seeking approval of Catholic Home Care to become the sole corporate member of Visiting Nurse Association of Long Island, Inc. Catholic Home Care anticipates that the approval of the Application will occur in 2014.

Letters of Credit

CHS maintains a letter of credit with a bank for workers' compensation claims in the amount of $13,400, which secures CHS deductible provision of its workers' compensation policy. Separately, Maryhaven maintains a letter of credit with a bank for workers' compensation claims in the amount of $3,750, which secures Maryhaven's deductible provision of its workers' compensation policy. Both letters of credit expire December 31, 2014, and are renewed annually.

(16) Subsequent Events

CHS has evaluated subsequent events from the consolidated balance sheet date through April 8, 2014, the date at which the consolidated financial statements were issued. There were no items identified for disclosure except for a third party company has entered into a letter of intent with Good Samaritan to purchase certain assets relating to Good Samaritan's chronic, outpatient and acute dialysis programs in the amount of $16,000.

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Balance Sheet

December 31, 2013

(In thousands)

Assets	Good Samaritan Hospital	St. Francis Hospital	Mercy Medical Center	St. Charles Hospital	St. Catherine Medical Center & Subsidiaries	Subtotal	Consolidating and eliminating entries	Obligated Group subtotal	St. Joseph Hospital	CHSLI	CHS Services	RVC Insurance Company, Inc.
Current assets:												
Cash and cash equivalents	$ 34,191	18,202	6,049	9,266	5,038	72,746	—	72,746	1,868	55,073	27,162	7,336
Investments	—	221,255	—	883	612	222,750	—	222,750	—	—	—	44,686
Assets limited or restricted as to use	—	3,359	800	—	—	4,159	—	4,159	—	9,867	—	—
Patient accounts receivable, net	64,174	81,530	21,967	19,089	28,562	215,322	—	215,322	10,544	—	—	—
Contributions receivable, net	—	—	—	—	—	—	—	—	—	—	—	—
Other receivables	4,344	6,138	2,161	1,381	1,386	15,410	—	15,410	310	—	252	—
Inventories	6,124	7,674	2,555	3,049	3,459	22,861	—	22,861	1,547	—	—	—
Prepaid expenses and other	4,741	3,632	2,109	1,032	2,190	13,704	—	13,704	287	549	3,399	3,953
Due from related parties	1,618	21,938	398	1,540	—	25,494	(5,815)	19,679	—	20,524	22,647	11,540
Total current assets	115,192	363,728	36,039	36,240	41,247	592,446	(5,815)	586,631	14,556	86,013	53,460	67,515
Assets limited or restricted as to use:												
Board-designated and other	46,124	4,940	11,981	2,594	463	66,102	—	66,102	4,796	—	—	—
Donor-restricted funds	3,827	3,150	2,316	2,050	1,063	12,406	—	12,406	716	352	—	—
Funded depreciation	737	222,178	—	—	7,126	230,041	—	230,041	—	—	—	—
Trustee held and other agreements	5,235	2,017	412	241	152	8,057	—	8,057	227	41,468	26,579	—
Bond indenture agreements	—	10,091	4,500	—	—	14,591	—	14,591	—	—	—	—
Regulated assets	—	—	—	—	—	—	—	—	—	—	—	—
Total assets limited or restricted as to use	55,923	242,376	19,209	4,885	8,804	331,197	—	331,197	5,739	41,820	26,579	—
Less assets limited or restricted as to use and required for current liabilities	—	3,359	800	—	—	4,159	—	4,159	—	9,867	—	—
Total assets limited as to use, net	55,923	239,017	18,409	4,885	8,804	327,038	—	327,038	5,739	31,953	26,579	—
Due from related parties, net of current portion	4,388	672	—	—	—	5,060	(4,080)	980	—	27,696	46,817	—
Contributions receivable, net of current portion	—	—	—	—	—	—	—	—	—	—	—	—
Long-term investments	368	—	—	233	—	601	—	601	—	—	—	—
Other investments, at cost	—	—	—	—	—	—	—	—	—	2,250	—	—
Other assets, net	—	16,247	—	107	507	16,861	—	16,861	223	1,042	—	—
Insurance claims receivable	62,037	19,586	27,703	29,498	22,943	161,767	—	161,767	9,530	—	—	6,974
Deferred financing costs, net	149	2,234	647	691	1,389	5,110	—	5,110	15	1,366	186	—
Property and equipment, net	174,766	249,506	104,831	64,270	101,503	694,876	—	694,876	27,673	127	78,848	—
Total assets	$ 412,823	890,990	187,629	135,924	176,393	1,803,759	(9,895)	1,793,864	57,736	150,447	205,890	74,489

(Continued)

Schedule 1

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Balance Sheet

December 31, 2013

(In thousands)

Assets	St. Francis Hospital Foundation	St. Francis Research and Educational Corporation	Catholic Home Care & Hospice	Maryhaven	Our Lady of Consolation	CHS Physician Hospital Organization	Other entities	Subtotal	Consolidating and eliminating entries	CHS consolidated total
Current assets:										
Cash and cash equivalents	$ 854	96	6,725	4,005	105	—	127	176,097	(7,006)	169,091
Investments	104,035	—	37	1,580	2,417	—	—	375,505	(44,686)	330,819
Assets limited or restricted as to use	—	—	—	—	—	—	—	14,026	—	14,026
Patient accounts receivable, net	—	—	12,666	—	9,021	—	—	247,553	—	247,553
Contributions receivable, net	2,021	—	—	—	—	—	—	2,021	—	2,021
Other receivables	—	692	—	12,732	16	—	2	29,414	—	29,414
Inventories	—	—	282	283	10	—	—	24,983	—	24,983
Prepaid expenses and other	—	—	252	1,514	1,052	523	—	25,233	(7,844)	17,389
Due from related parties	—	6,953	16	—	—	—	27	81,386	(81,386)	—
Total current assets	106,910	7,741	19,978	20,114	12,621	523	156	976,218	(140,922)	835,296
Assets limited or restricted as to use:										
Board-designated and other	12,895	—	—	122	—	—	—	83,915	—	83,915
Donor-restricted funds	18,916	—	411	—	635	—	—	33,436	—	33,436
Funded depreciation	—	—	—	436	1,000	—	—	231,477	—	231,477
Trustee held and other agreements	—	—	—	226	1	—	—	76,558	—	76,558
Bond indenture agreements	—	—	—	—	—	—	—	14,591	—	14,591
Regulated assets	—	—	—	—	—	—	—	—	52,022	52,022
Total assets limited or restricted as to use	31,811	—	411	784	1,636	—	—	439,977	52,022	491,999
Less assets limited or restricted as to use and required for current liabilities	—	—	—	—	—	—	—	14,026	—	14,026
Total assets limited as to use, net	31,811	—	411	784	1,636	—	—	425,951	52,022	477,973
Due from related parties, net of current portion	—	—	—	—	—	—	—	75,493	(75,493)	—
Contributions receivable, net of current portion	3,004	—	—	—	17	—	—	3,021	—	3,021
Long-term investments	—	—	—	—	—	—	—	601	—	601
Other investments, at cost	—	—	—	—	—	—	—	2,250	(2,250)	—
Other assets, net	—	—	15	1,706	43	—	—	19,890	—	19,890
Insurance claims receivable	—	—	—	1,726	1,030	—	—	181,027	(40,124)	140,903
Deferred financing costs, net	—	—	—	23	251	—	—	6,951	—	6,951
Property and equipment, net	—	5,965	6,727	13,415	17,891	—	—	845,522	—	845,522
Total assets	$ 141,725	13,706	27,131	37,768	33,489	523	156	2,536,924	(206,767)	2,330,157

(Continued)

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Balance Sheet

December 31, 2013

(In thousands)

Liabilities and Net Assets	Good Samaritan Hospital	St. Francis Hospital	Mercy Medical Center	St. Charles Hospital	St. Catherine Medical Center & Subsidiaries	Subtotal	Consolidating and eliminating entries	Obligated Group Subtotal	St. Joseph Hospital	CHSLI	CHS Services	RVC Insurance Company, Inc.
Current liabilities:												
Current portion of long-term debt	$ 183	4,664	1,650	930	—	7,427	—	7,427	1,069	1,529	17,204	—
Accounts payable and accrued expenses	39,470	36,663	14,904	13,056	12,752	116,845	—	116,845	7,672	9,022	19,250	153
Accrued salaries, related withholdings, and benefits	34,865	33,247	9,176	12,060	12,817	102,165	—	102,165	4,166	3,855	8,528	—
Current portion of other self-insured liabilities	10,368	5,628	3,995	3,327	6,011	29,329	—	29,329	166	—	1,093	—
Current portion of estimated third-party payor and other liabilities, net	16,972	17,431	6,560	6,867	9,405	57,235	—	57,235	3,342	—	—	—
Due to related parties	5,605	152	5,362	2,777	7,750	21,646	(12,471)	9,175	2,297	—	12,650	11,572
Other liabilities	—	—	—	—	482	482	—	482	—	—	152	—
Total current liabilities	107,463	97,785	41,647	39,017	49,217	335,129	(12,471)	322,658	18,712	14,406	58,877	11,725
Long-term debt, net of current portion	7,432	112,402	35,526	43,298	82,809	281,467	—	281,467	15,279	114,575	61,750	—
Estimated third-party payor and other liabilities, net of current portion	12,055	9,357	4,046	2,280	15,221	42,959	—	42,959	1,251	—	—	—
Other self-insured liabilities, net of current portion	35,428	18,096	9,576	14,282	18,721	96,103	—	96,103	—	—	—	—
Estimated malpractice liabilities	70,020	18,088	30,285	40,043	24,277	182,713	—	182,713	12,250	—	—	40,124
Other long-term liabilities	5,232	14,168	2,251	1,603	2,809	26,063	—	26,063	227	17,312	3,737	—
Due to related parties, net of current portion	—	—	21,235	13,811	36,810	71,856	(8,822)	63,034	11,700	—	—	—
Total liabilities	237,630	269,896	144,566	154,334	229,864	1,036,290	(21,293)	1,014,997	59,419	146,293	124,364	51,849
Net assets (deficit):												
Unrestricted	171,366	617,944	40,455	(20,460)	(54,534)	754,771	11,398	766,169	(2,399)	3,802	81,526	20,390
Temporarily restricted	3,827	3,150	2,608	1,274	1,063	11,922	—	11,922	716	352	—	—
Permanently restricted	—	—	—	776	—	776	—	776	—	—	—	—
Capital stock and paid in capital	—	—	—	—	—	—	—	—	—	—	—	2,250
Total net assets (deficit)	175,193	621,094	43,063	(18,410)	(53,471)	767,469	11,398	778,867	(1,683)	4,154	81,526	22,640
Commitments and contingencies												
Total liabilities and net assets (deficit)	$ 412,823	890,990	187,629	135,924	176,393	1,803,759	(9,895)	1,793,864	57,736	150,447	205,890	74,489

(Continued)

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Schedule 1

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Balance Sheet

December 31, 2013

(In thousands)

Liabilities and Net Assets	St. Francis Hospital Foundation	St. Francis Research and Educational Corporation	Catholic Home Care & Hospice	Maryhaven	Our Lady of Consolation	CHS Physician Hospital Organization	Other entities	Subtotal	Consolidating and eliminating entries	CHS consolidated total
Current liabilities:										
Current portion of long-term debt	$ —	—	—	458	—	—	—	27,687	—	27,687
Accounts payable and accrued expenses	229	12	6,372	4,438	5,024	—	118	169,135	(8,803)	160,332
Accrued salaries, related withholdings, and benefits	—	—	4,263	3,651	3,171	—	—	129,799	—	129,799
Current portion of other self-insured liabilities	—	—	—	—	797	—	—	31,385	—	31,385
Current portion of estimated third-party payor and other								—		
liabilities, net	—	—	319	(1,186)	1,813	—	—	61,523	—	61,523
Due to related parties	8,129	3,025	3,902	2,366	—	840	1,082	55,038	(55,038)	—
Other liabilities	1,585	866	—	7,162	—	—	—	10,247	—	10,247
Total current liabilities	9,943	3,903	14,856	16,889	10,805	840	1,200	484,814	(63,841)	420,973
Long-term debt, net of current portion	—	—	—	1,201	15,018	—	—	489,290	—	489,290
Estimated third-party payor and other liabilities, net of current portion	—	—	—	—	—	—	—	44,210	—	44,210
Other self-insured liabilities, net of current portion	—	—	—	4,693	3,283	—	—	104,079	—	104,079
Estimated malpractice liabilities	—	—	—	—	—	—	—	235,087	(40,124)	194,963
Other long-term liabilities	1	—	268	3,779	—	—	—	51,387	—	51,387
Due to related parties, net of current portion	—	—	22,479	4,241	2,498	—	—	103,952	(103,952)	—
Total liabilities	9,944	3,903	37,603	30,803	31,604	840	1,200	1,512,819	(207,917)	1,304,902
Net assets (deficit):										
Unrestricted	107,840	9,803	(10,883)	6,965	1,250	(317)	(2,224)	981,922	4,580	986,502
Temporarily restricted	20,822	—	254	—	635	—	—	34,701	—	34,701
Permanently restricted	3,119	—	157	—	—	—	—	4,052	—	4,052
Capital stock and paid in capital	—	—	—	—	—	—	1,180	3,430	(3,430)	—
Total net assets (deficit)	131,781	9,803	(10,472)	6,965	1,885	(317)	(1,044)	1,024,105	1,150	1,025,255
Commitments and contingencies										
Total liabilities and net assets (deficit)	$ 141,725	13,706	27,131	37,768	33,489	523	156	2,536,924	(206,767)	2,330,157

See accompanying independent auditors' report.

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Statement of Operations

Year ended December 31, 2013

(In thousands)

	Good Samaritan Hospital	St. Francis Hospital	Mercy Medical Center	St. Charles Hospital	St. Catherine Medical Center & Subsidiaries	Subtotal	Consolidating and eliminating entries	Obligated Group Subtotal	St. Joseph Hospital	CHSLI	CHS Services	RVC Insurance Company, Inc.
Unrestricted revenues, gains, and other support:												
Net patient service revenues before bad debts	$ 558,858	540,215	202,759	177,763	228,760	1,708,355	—	1,708,355	95,707	—	—	—
Provision for bad debts, net	(17,455)	(2,986)	(5,468)	(2,954)	(3,904)	(32,767)	—	(32,767)	(1,256)	—	—	—
Net patient services revenue	541,403	537,229	197,291	174,809	224,856	1,675,588	—	1,675,588	94,451	—	—	—
Investment income, net	1,048	31,596	159	235	479	33,517	—	33,517	79	791	2	38
Contributions, net	623	—	32	352	30	1,037	—	1,037	3	—	—	—
Other revenue	20,259	13,688	6,705	6,942	15,198	62,792	(11,651)	51,141	3,185	23,193	120,815	17,091
Net assets released from restrictions used for operations	254	50	—	121	51	476	—	476	—	—	—	—
Total revenues, gains, and other support	563,587	582,563	204,187	182,459	240,614	1,773,410	(11,651)	1,761,759	97,718	23,984	120,817	17,129
Expenses:												
Salaries	254,855	247,531	97,195	83,798	115,874	799,253	—	799,253	44,522	6,277	66,388	—
Employee benefits	78,614	60,536	27,603	24,242	42,797	233,792	—	233,792	17,234	1,333	20,881	—
Supplies and other expenses	156,953	148,011	42,113	43,395	57,999	448,471	(18,308)	430,163	28,910	10,144	30,557	849
Insurance	17,193	9,301	7,789	4,664	5,569	44,516	—	44,516	3,393	9	148	6,767
Depreciation, amortization, and impairment	19,464	26,679	8,309	6,977	9,717	71,146	—	71,146	5,017	55	15,860	—
Interest	410	6,282	478	1,828	4,301	13,299	—	13,299	496	3,770	1,308	—
CHS Services, Inc.	33,966	30,726	17,441	14,670	14,589	111,392	—	111,392	6,016	—	—	—
CHS corporate office allocation	5,597	4,883	1,952	1,475	2,192	16,099	—	16,099	1,452	—	—	—
Total expenses	567,052	533,949	202,880	181,049	253,038	1,737,968	(18,308)	1,719,660	107,040	21,588	135,142	7,616
Operating (loss) income before nonoperating gains (losses)	(3,465)	48,614	1,307	1,410	(12,424)	35,442	6,657	42,099	(9,322)	2,396	(14,325)	9,513
Nonoperating gains (losses):												
Change in unrealized gains (losses) on trading investments, net	(1,413)	14,860	86	48	(281)	13,300	—	13,300	—	—	—	(594)
Other nonoperating gains (losses), net	3,166	—	—	—	—	3,166	—	3,166	156	(2,446)	(1,525)	—
Excess (deficiency) of revenues, gains, and other support over expenses	(1,712)	63,474	1,393	1,458	(12,705)	51,908	6,657	58,565	(9,166)	(50)	(15,850)	8,919
Other changes in benefit plan unrestricted net assets:												
Postretirement changes other than net periodic benefit cost	1,117	5,267	234	(56)	(87)	6,475	—	6,475	—	—	—	—
Net assets released from restrictions for purchase of property and equipment	1,111	—	126	306	13	1,556	—	1,556	49	4	—	—
Net assets assumed	—	—	—	—	—	—	—	—	—	—	—	—
Contributions for purchases of property and equipment	1,020	—	—	—	—	1,020	—	1,020	—	—	—	—
Grant income for purchases of property and equipment	250	—	—	595	40	885	—	885	—	—	—	—
Other changes	—	—	—	—	—	—	—	—	—	317	(1,000)	—
Transfer (to) from Catholic Health Services of Long Island	(1,796)	(1,568)	(625)	(472)	(658)	(5,119)	—	(5,119)	10,242	—	(10,000)	—
Transfer (to) from CHS Services, Inc.	(13,177)	(14,159)	(3,469)	(3,140)	(6,385)	(40,330)	—	(40,330)	(1,924)	10,000	—	—
Transfers (to) from related parties	(17,000)	6,689	(1,468)	—	17,000	5,221	—	5,221	(404)	(6,707)	42,349	—
Increase (decrease) in unrestricted net assets	$ (30,187)	59,703	(3,809)	(1,309)	(2,782)	21,616	6,657	28,273	(1,203)	3,564	15,499	8,919

Schedule 2

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Statement of Operations

Year ended December 31, 2013

(In thousands)

	St. Francis Hospital Foundation	St. Francis Research and Educational Corporation	Catholic Home Care & Hospice	Maryhaven	Our Lady of Consolation	CHS Physician Hospital Organization	Other entities	Sub-total	Consolidating and eliminating entries	CHS consolidated total
Unrestricted revenues, gains, and other support:										
Net patient service revenues before bad debts	$ —	—	92,054	—	59,993	—	—	1,956,109	(466)	1,955,643
Provision for bad debts, net	—	—	(2,624)	—	(621)	—	(98)	(37,366)	—	(37,366)
Net patient services revenue	—	—	89,430	—	59,372	—	(98)	1,918,743	(466)	1,918,277
Investment income, net	3,198	—	36	51	(44)	—	—	37,668	—	37,668
Contributions, net	2,583	—	312	220	13	—	—	4,168	—	4,168
Other revenue	—	3,489	454	79,935	191	—	66	299,560	(165,008)	134,552
Net assets released from restrictions used for operations	467	—	—	—	—	—	—	943	—	943
Total revenues, gains, and other support	6,248	3,489	90,232	80,206	59,532	—	(32)	2,261,082	(165,474)	2,095,608
Expenses:										
Salaries	810	4,178	50,192	43,321	31,148	—	190	1,046,279	—	1,046,279
Employee benefits	184	738	15,208	22,111	14,016	—	48	325,545	—	325,545
Supplies and other expenses	535	1,369	23,737	13,553	13,478	—	84	553,379	(5,316)	548,063
Insurance	—	41	—	565	731	—	—	56,170	(17,091)	39,079
Depreciation, amortization, and impairment	—	893	1,638	1,697	1,327	—	—	97,633	—	97,633
Interest	—	—	1	224	976	—	—	20,074	—	20,074
CHS Services, Inc.	—	—	1,123	662	852	—	—	120,045	(120,045)	—
CHS corporate office allocation	—	—	278	179	162	—	—	18,170	(18,170)	—
Total expenses	1,529	7,219	92,177	82,312	62,690	—	322	2,237,295	(160,622)	2,076,673
Operating (loss) income before nonoperating gains (losses)	4,719	(3,730)	(1,945)	(2,106)	(3,158)	—	(354)	23,787	(4,852)	18,935
Nonoperating gains (losses):										
Change in unrealized gains (losses) on trading investments, net	13,537	—	—	(27)	71	—	—	26,287	—	26,287
Other nonoperating gains (losses), net	—	—	—	—	—	—	—	(649)	—	(649)
Excess (deficiency) of revenues, gains, and other support over expenses	18,256	(3,730)	(1,945)	(2,133)	(3,087)	—	(354)	49,425	(4,852)	44,573
Other changes in benefit plan unrestricted net assets:										
Postretirement changes other than net periodic benefit cost	—	—	—	—	—	—	—	6,475	—	6,475
Net assets released from restrictions for purchase of property and equipment	2,107	—	—	—	—	—	—	3,716	—	3,716
Net assets assumed	—	—	—	—	—	—	—	—	—	—
Contributions for purchases of property and equipment	—	—	—	—	—	—	—	1,020	—	1,020
Grant income for purchases of property and equipment	—	—	—	—	—	—	—	885	—	885
Other changes	—	—	—	—	—	(317)	—	(1,000)	—	(1,000)
Transfer (to) from Catholic Health Services of Long Island	—	—	(110)	(78)	(68)	—	—	(5,133)	5,133	—
Transfer (to) from CHS Services, Inc.	—	—	(36)	(27)	(33)	—	—	(32,350)	32,350	—
Transfers (to) from related parties	(8,424)	3,650	—	(49)	—	—	—	35,636	(35,636)	—
Increase (decrease) in unrestricted net assets	$ 11,939	(80)	(2,091)	(2,287)	(3,188)	(317)	(354)	58,674	(3,005)	55,669

See accompanying independent auditors' report.

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Balance Sheet

December 31, 2012

(In thousands)

Assets	Good Samaritan Hospital	St. Francis Hospital	Mercy Medical Center	St. Charles Hospital	St. Catherine Medical Center & Subsidiaries	Subtotal	Consolidating and eliminating entries	Obligated Group subtotal	St. Joseph Hospital	CHSLI	CHS Services	RVC Insurance Company, Inc.
Current assets:												
Cash and cash equivalents	$ 30,221	23,221	13,157	15,719	8,140	90,458	—	90,458	8,661	16,200	—	11,224
Investments	—	210,654	—	878	2,056	213,588	—	213,588	—	—	—	30,149
Assets limited or restricted as to use	—	3,392	778	—	—	4,170	—	4,170	—	8,840	—	—
Patient accounts receivable, net	67,186	62,836	21,373	19,729	30,181	201,305	—	201,305	11,073	—	—	—
Contributions receivable, net	—	—	—	—	—	—	—	—	—	—	—	—
Other receivables	3,948	5,962	1,527	892	1,036	13,365	—	13,365	557	—	191	—
Inventories	6,241	6,893	2,402	2,525	3,265	21,326	—	21,326	1,562	—	—	—
Prepaid expenses and other	2,953	1,989	2,050	703	891	8,586	—	8,586	415	102	3,315	3,938
Due from related parties	8,406	17,540	—	331	161	26,438	(10,731)	15,707	—	29,467	40,090	15,037
Total current assets	118,955	332,487	41,287	40,777	45,730	579,236	(10,731)	568,505	22,268	54,609	43,596	60,348
Assets limited or restricted as to use:												
Board-designated and other	80,209	4,433	15,204	—	5,180	105,026	—	105,026	4,796	—	—	—
Donor-restricted funds	4,216	2,831	1,948	1,997	751	11,743	—	11,743	523	—	—	—
Funded depreciation	736	185,208	—	—	7,123	193,067	—	193,067	—	—	—	—
Trustee held and other agreements	3,963	1,773	378	—	—	6,114	—	6,114	148	67,877	56,571	—
Bond indenture agreements	—	10,138	4,472	—	—	14,610	—	14,610	—	—	—	—
Regulated assets	—	—	—	—	—	—	—	—	—	—	—	—
Total assets limited or restricted as to use	89,124	204,383	22,002	1,997	13,054	330,560	—	330,560	5,467	67,877	56,571	—
Less assets limited or restricted as to use and required for current liabilities	—	3,392	778	—	—	4,170	—	4,170	—	8,840	—	—
Total assets limited as to use, net	89,124	200,991	21,224	1,997	13,054	326,390	—	326,390	5,467	59,037	56,571	—
Due from related parties, net of current portion	4,388	672	—	—	—	5,060	(4,081)	979	—	27,919	24,738	—
Contributions receivable, net of current portion	—	—	—	—	—	—	—	—	—	—	—	—
Long-term investments	367	—	—	184	—	551	—	551	—	—	—	—
Other investments, at cost	—	—	—	—	—	—	—	—	—	2,250	—	—
Other assets, net	—	18,454	—	110	629	19,193	—	19,193	445	832	—	—
Insurance claims receivable	51,584	19,451	28,876	33,061	23,001	155,973	—	155,973	8,724	—	—	5,476
Deferred financing costs, net	160	2,423	709	769	1,547	5,608	—	5,608	—	1,523	265	—
Property and equipment, net	160,593	259,469	102,989	63,797	102,487	689,335	—	689,335	30,542	140	77,040	—
Total assets	$ 425,171	833,947	195,085	140,695	186,448	1,781,346	(14,812)	1,766,534	67,446	146,310	202,210	65,824

(Continued)

Schedule 3

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Balance Sheet

December 31, 2012

(In thousands)

Assets	St. Francis Hospital Foundation	St. Francis Research and Educational Corporation	Catholic Home Care & Hospice	Maryhaven	Our Lady of Consolation	CHS Physician Hospital Organization	Other entities	Subtotal	Consolidating and eliminating entries	CHS consolidated total
Current assets:										
Cash and cash equivalents	$ 782	216	6,918	3,054	230	—	311	138,054	(10,900)	127,154
Investments	90,746	—	27	1,593	2,390	—	—	338,493	(30,149)	308,344
Assets limited or restricted as to use	—	—	—	—	—	—	—	13,010	—	13,010
Patient accounts receivable, net	—	—	10,467	—	10,199	—	—	233,044	—	233,044
Contributions receivable, net	2,125	—	—	—	—	—	—	2,125	—	2,125
Other receivables	—	535	—	12,126	26	—	145	26,945	—	26,945
Inventories	—	—	310	344	30	—	—	23,572	—	23,572
Prepaid expenses and other	—	—	152	864	237	840	—	18,449	(1,254)	17,195
Due from related parties	—	5,453	197	—	—	—	35	105,986	(105,986)	—
Total current assets	93,653	6,204	18,071	17,981	13,112	840	491	899,678	(148,289)	751,389
Assets limited or restricted as to use:										
Board-designated and other	10,712	—	—	90	—	—	—	120,624	—	120,624
Donor-restricted funds	14,927	—	329	—	413	—	—	27,935	—	27,935
Funded depreciation	—	—	—	435	1,000	—	—	194,502	—	194,502
Trustee held and other agreements	—	—	—	1,946	2	—	—	132,658	—	132,658
Bond indenture agreements	—	—	—	—	—	—	—	14,610	—	14,610
Regulated assets	—	—	—	—	—	—	—	—	41,373	41,373
Total assets limited or restricted as to use	25,639	—	329	2,471	1,415	—	—	490,329	41,373	531,702
Less assets limited or restricted as to use and required for current liabilities	—	—	—	—	—	—	—	13,010	—	13,010
Total assets limited as to use, net	25,639	—	329	2,471	1,415	—	—	477,319	41,373	518,692
Due from related parties, net of current portion	—	—	—	—	—	—	—	53,636	(53,636)	—
Contributions receivable, net of current portion	3,205	—	—	—	17	—	—	3,222	—	3,222
Long-term investments	—	—	—	—	—	—	—	551	—	551
Other investments, at cost	—	—	—	—	—	—	—	2,250	(2,250)	—
Other assets, net	—	—	15	1,417	43	—	—	21,945	—	21,945
Insurance claims receivable	—	—	—	968	1,426	—	—	172,567	(37,041)	135,526
Deferred financing costs, net	—	—	—	9	279	—	—	7,684	—	7,684
Property and equipment, net	—	6,598	7,743	11,842	18,563	—	1	841,804	—	841,804
Total assets	$ 122,497	12,802	26,158	34,688	34,855	840	492	2,480,656	(199,843)	2,280,813

(Continued)

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Balance Sheet

December 31, 2012

(In thousands)

Liabilities and Net Assets	Good Samaritan Hospital	St. Francis Hospital	Mercy Medical Center	St. Charles Hospital	St. Catherine Medical Center & Subsidiaries	Subtotal	Consolidating and eliminating entries	Obligated Group Subtotal	St. Joseph Hospital	CHSLI	CHS Services	RVC Insurance Company, Inc.
Current liabilities:												
Current portion of long-term debt	$ 94	4,549	4,609	898	—	10,150	—	10,150	1,761	1,243	16,935	—
Accounts payable and accrued expenses	29,112	30,122	11,344	9,922	14,472	94,972	—	94,972	7,183	9,192	16,355	164
Accrued salaries, related withholdings, and benefits	37,312	27,317	8,829	10,459	13,014	96,931	—	96,931	4,877	4,887	8,389	—
Current portion of other self-insured liabilities	9,777	7,492	2,949	3,171	4,892	28,281	—	28,281	68	—	1,145	—
Current portion of estimated third-party payor and other liabilities, net	17,115	22,768	7,141	8,118	9,602	64,744	—	64,744	3,170	—	—	—
Due to related parties	6,869	—	5,050	2,783	5,484	20,186	(10,731)	9,455	4,585	—	11,267	14,898
Other liabilities	—	—	—	—	499	499	—	499	3,005	—	126	—
Total current liabilities	100,279	92,248	39,922	35,351	47,963	315,763	(10,731)	305,032	24,649	15,322	54,217	15,062
Long-term debt, net of current portion	7,407	117,029	37,189	44,635	82,894	289,154	—	289,154	16,348	116,284	78,954	—
Estimated third-party payor and other liabilities, net of current portion	12,790	11,566	6,208	3,016	16,819	50,399	—	50,399	1,279	—	—	—
Other self-insured liabilities, net of current portion	35,497	16,583	10,802	14,379	20,513	97,774	—	97,774	—	—	—	—
Estimated malpractice liabilities	58,639	18,240	30,740	45,180	24,456	177,255	—	177,255	11,138	—	—	37,041
Other long-term liabilities	4,790	17,209	2,406	1,236	2,621	28,262	—	28,262	—	14,293	3,012	—
Due to related parties, net of current portion	—	—	21,235	14,052	42,183	77,470	(8,822)	68,648	14,705	—	—	—
Total liabilities	219,402	272,875	148,502	157,849	237,449	1,036,077	(19,553)	1,016,524	68,119	145,899	136,183	52,103
Net assets (deficit):												
Unrestricted	201,553	558,241	44,264	(19,151)	(51,752)	733,155	4,741	737,896	(1,196)	238	66,027	11,471
Temporarily restricted	4,216	2,831	2,319	1,221	751	11,338	—	11,338	523	173	—	—
Permanently restricted	—	—	—	776	—	776	—	776	—	—	—	—
Capital stock and paid in capital	—	—	—	—	—	—	—	—	—	—	—	2,250
Total net assets (deficit)	205,769	561,072	46,583	(17,154)	(51,001)	745,269	4,741	750,010	(673)	411	66,027	13,721
Commitments and contingencies												
Total liabilities and net assets (deficit)	$ 425,171	833,947	195,085	140,695	186,448	1,781,346	(14,812)	1,766,534	67,446	146,310	202,210	65,824

(Continued)

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Schedule 3

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Balance Sheet

December 31, 2012

(In thousands)

Liabilities and Net Assets	**St. Francis Hospital Foundation**	**St. Francis Research and Educational Corporation**	**Catholic Home Care & Hospice**	**Maryhaven**	**Our Lady of Consolation**	**CHS Physician Hospital Organization**	**Other entities**	**Subtotal**	**Consolidating and eliminating entries**	**CHS consolidated total**
Current liabilities:										
Current portion of long-term debt	$ —	—	—	323	—	—	—	30,412	—	30,412
Accounts payable and accrued expenses	213	12	6,244	4,605	4,115	—	118	143,173	(1,275)	141,898
Accrued salaries, related withholdings, and benefits	—	—	3,726	3,599	3,382	—	—	125,791	—	125,791
Current portion of other self-insured liabilities	—	—	—	—	552	—	—	30,046	—	30,046
Current portion of estimated third-party payor and other liabilities, net	—	—	51	(1,867)	1,455	—	—	67,553	—	67,553
Due to related parties	5,958	2,191	1,853	1,796	153	840	1,064	54,060	(54,060)	—
Other liabilities	168	716	—	4,588	135	—	—	9,237	—	9,237
Total current liabilities	6,339	2,919	11,874	13,044	9,792	840	1,182	460,272	(55,335)	404,937
Long-term debt, net of current portion	—	—	—	1,160	15,111	—	—	517,011	—	517,011
Estimated third-party payor and other liabilities, net of current portion	—	—	—	—	—	—	—	51,678	—	51,678
Other self-insured liabilities, net of current portion	—	—	—	3,388	3,679	—	—	104,841	—	104,841
Estimated malpractice liabilities	—	—	—	—	—	—	—	225,434	(37,041)	188,393
Other long-term liabilities	—	—	268	3,476	—	—	—	49,311	—	49,311
Due to related parties, net of current portion	—	—	22,479	4,368	1,422	—	—	111,622	(111,622)	—
Total liabilities	6,339	2,919	34,621	25,436	30,004	840	1,182	1,520,169	(203,998)	1,316,171
Net assets (deficit):										
Unrestricted	95,901	9,883	(8,792)	9,252	4,438	—	(1,870)	923,248	7,585	930,833
Temporarily restricted	17,127	—	180	—	413	—	—	29,754	—	29,754
Permanently restricted	3,130	—	149	—	—	—	—	4,055	—	4,055
Capital stock and paid in capital	—	—	—	—	—	—	1,180	3,430	(3,430)	—
Total net assets (deficit)	116,158	9,883	(8,463)	9,252	4,851	—	(690)	960,487	4,155	964,642
Commitments and contingencies										
Total liabilities and net assets (deficit)	$ 122,497	12,802	26,158	34,688	34,855	840	492	2,480,656	(199,843)	2,280,813

See accompanying independent auditors' report.

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Statement of Operations

Year ended December 31, 2012

(In thousands)

	Good Samaritan Hospital	St. Francis Hospital	Mercy Medical Center	St. Charles Hospital	St. Catherine Medical Center & Subsidiaries	Subtotal	Consolidating and eliminating entries	Obligated Group Subtotal	St. Joseph Hospital	CHSLI	CHS Services	RVC Insurance Company, Inc.
Unrestricted revenues, gains, and other support:												
Net patient service revenues before bad debts	$ 564,264	479,697	202,811	178,470	247,609	1,672,851	—	1,672,851	96,395	—	—	—
Provision for bad debts, net	(11,454)	(2,630)	(5,318)	(2,829)	(4,698)	(26,929)	—	(26,929)	(848)	—	—	—
Net patient services revenue	552,810	477,067	197,493	175,641	242,911	1,645,922	—	1,645,922	95,547	—	—	—
Investment income, net	2,104	31,156	748	92	343	34,443	—	34,443	23	832	—	968
Contributions, net	1,272	—	139	584	22	2,017	—	2,017	17	—	—	—
Other revenue	22,249	9,971	4,812	5,585	8,331	50,948	(4,916)	46,032	3,020	21,561	103,315	14,772
Net assets released from restrictions used for operations	1,033	222	82	215	49	1,601	—	1,601	—	45	—	—
Total revenues, gains, and other support	579,468	518,416	203,274	182,117	251,656	1,734,931	(4,916)	1,730,015	98,607	22,438	103,315	15,740
Expenses:												
Salaries	275,079	216,274	94,179	77,230	116,910	779,672	—	779,672	45,078	5,457	57,142	—
Employee benefits	86,769	61,797	25,084	25,066	40,103	238,819	—	238,819	17,597	1,282	16,873	—
Supplies and other expenses	136,245	131,734	43,196	42,056	64,547	417,778	(4,916)	412,862	30,450	8,542	27,815	713
Insurance	15,840	9,687	5,731	5,849	4,311	41,418	—	41,418	3,297	34	181	13,599
Depreciation, amortization, and impairment	16,367	26,657	8,309	6,117	8,922	66,372	—	66,372	2,962	116	10,061	—
Interest	533	6,141	742	2,068	5,400	14,884	—	14,884	700	3,922	584	—
CHS Services, Inc.	28,351	25,909	15,446	12,671	12,745	95,122	—	95,122	4,663	—	—	—
CHS corporate office allocation	5,258	4,585	1,830	1,383	2,112	15,168	—	15,168	1,363	—	—	—
Total expenses	564,442	482,784	194,517	172,440	255,050	1,669,233	(4,916)	1,664,317	106,110	19,353	112,656	14,312
Operating (loss) income before nonoperating gains (losses)	15,026	35,632	8,757	9,677	(3,394)	65,698	—	65,698	(7,503)	3,085	(9,341)	1,428
Nonoperating gains (losses):												
Change in unrealized gains (losses) on trading investments, net	968	(814)	32	16	53	255	—	255	—	—	—	(488)
Other nonoperating losses	—	—	—	—	—	—	—	—	—	(2,320)	(719)	—
Excess (deficiency) of revenues, gains, and other support over expenses	15,994	34,818	8,789	9,693	(3,341)	65,953	—	65,953	(7,503)	765	(10,060)	940
Other changes in benefit plan unrestricted net assets:												
Postretirement changes other than net periodic benefit cost	(303)	(843)	(104)	(44)	(252)	(1,546)	—	(1,546)	—	—	—	—
Net assets released from restrictions for purchase of property and equipment	725	22	270	140	—	1,157	—	1,157	238	—	—	—
Net assets assumed	—	—	597	—	—	597	—	597	—	—	—	—
Contributions for purchases of property and equipment	80	—	—	—	—	80	—	80	—	—	—	—
Grant income for purchases of property and equipment	3,339	—	—	38	282	3,659	—	3,659	—	—	—	—
Other changes	—	—	—	—	(1,222)	(1,222)	—	(1,222)	—	—	—	—
Transfer (to) from Catholic Health Services of Long Island	(1,520)	(1,269)	(533)	(404)	(617)	(4,343)	—	(4,343)	(397)	991	—	—
Transfer (to) from CHS Services, Inc.	(6,960)	(4,073)	(2,424)	(2,028)	(1,024)	(16,509)	—	(16,509)	(1,193)	—	17,797	—
Transfers (to) from related parties	(3,000)	10,025	2,348	—	3,000	12,373	—	12,373	—	—	—	—
Increase (decrease) in unrestricted net assets	$ 8,355	38,680	8,943	7,395	(3,174)	60,199	—	60,199	(8,855)	1,756	7,737	940

(Continued)

Schedule 4

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Statement of Operations

Year ended December 31, 2012

(In thousands)

	St. Francis Hospital Foundation	St. Francis Research and Educational Corporation	Catholic Home Care & Hospice	Maryhaven	Our Lady of Consolation	CHS Physician Hospital Organization	Other entities	Sub-total	Consolidating and eliminating entries	CHS consolidated total
Unrestricted revenues, gains, and other support:										
Net patient service revenues before bad debts	$ —	—	78,287	—	61,500	—	—	1,909,033	(1,350)	1,907,683
Provision for bad debts, net	—	—	(1,029)	—	(1,742)	—	(82)	(30,630)	—	(30,630)
Net patient services revenue	—	—	77,258	—	59,758	—	(82)	1,878,403	(1,350)	1,877,053
Investment income, net	7,195	—	—	102	90	—	—	43,653	—	43,653
Contributions, net	3,621	—	326	186	28	—	—	6,195	—	6,195
Other revenue	—	2,779	103	79,218	240	—	436	271,476	(144,493)	126,983
Net assets released from restrictions used for operations	190	—	—	—	—	—	—	1,836	—	1,836
Total revenues, gains, and other support	11,006	2,779	77,687	79,506	60,116	—	354	2,201,563	(145,843)	2,055,720
Expenses:										
Salaries	752	3,852	39,656	42,246	30,984	—	398	1,005,237	—	1,005,237
Employee benefits	182	740	12,397	21,880	11,632	—	99	321,501	—	321,501
Supplies and other expenses	518	1,572	22,766	13,036	13,702	—	54	532,030	(6,682)	525,348
Insurance	—	41	—	527	644	—	—	59,741	(14,772)	44,969
Depreciation, amortization, and impairment	—	946	1,597	1,691	1,425	—	—	85,170	—	85,170
Interest	—	—	—	413	292	—	—	20,795	(14)	20,781
CHS Services, Inc.	—	—	1,620	784	883	—	—	103,072	(103,072)	—
CHS corporate office allocation	—	—	377	159	221	—	—	17,288	(17,288)	—
Total expenses	1,452	7,151	78,413	80,736	59,783	—	551	2,144,834	(141,828)	2,003,006
Operating (loss) income before nonoperating gains (losses)	9,554	(4,372)	(726)	(1,230)	333	—	(197)	56,729	(4,015)	52,714
Nonoperating gains (losses):										
Change in unrealized gains (losses) on trading investments, net	4,110	—	1	—	16	—	—	3,894	—	3,894
Other nonoperating losses	—	—	—	(303)	—	—	—	(3,342)	—	(3,342)
Excess (deficiency) of revenues, gains, and other support over expenses	13,664	(4,372)	(725)	(1,533)	349	—	(197)	57,281	(4,015)	53,266
Other changes in benefit plan unrestricted net assets:										
Postretirement changes other than net periodic benefit cost	—	—	—	—	—	—	—	(1,546)	—	(1,546)
Net assets released from restrictions for purchase of property and equipment	10,643	—	—	—	—	—	—	12,038	—	12,038
Net assets assumed	—	—	—	—	—	—	—	597	—	597
Contributions for purchases of property and equipment	—	—	—	—	—	—	—	80	—	80
Grant income for purchases of property and equipment	—	—	—	—	—	—	—	3,659	—	3,659
Other changes	—	—	—	—	—	—	—	(1,222)	—	(1,222)
Transfer (to) from Catholic Health Services of Long Island	—	—	(124)	(66)	(33)	—	—	(3,972)	3,972	—
Transfer (to) from CHS Services, Inc.	—	—	(36)	(27)	(75)	—	—	(43)	43	—
Transfers (to) from related parties	(16,133)	3,760	—	—	—	—	—	—	—	—
Increase (decrease) in unrestricted net assets	$ 8,174	(612)	(885)	(1,626)	241	—	(197)	66,872	—	66,872

See accompanying independent auditors' report.